

Bitou

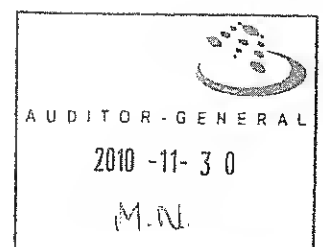
MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2010



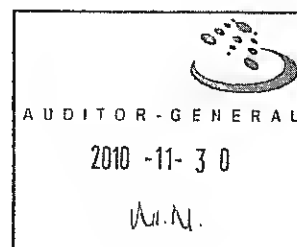
BITOU LOCAL MUNICIPALITY

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BITOU LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community. Bitou Municipality also serve as an agent to Provincial Government in providing Housing to the community

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Bitou Municipality includes the following areas:

Plettenbergbay

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Alderman L. L. Mvimbi</i>
Deputy Executive Mayor	<i>Councillor L.M. Seyisi</i>
Speaker	<i>Councillor L. Luiters</i>
Chief Whip	<i>Alderman E Wildeman</i>

ORDINARY COUNCILLORS

Councillor	<i>M Booysen</i>
Councillor	<i>M. Sishuba</i>
Councillor	<i>E E Paulse</i>
Councillor	<i>J Brummer</i>
Councillor	<i>V C Terblanche</i>
Councillor	<i>D Xego</i>
Councillor	<i>C L Dreyer</i>

MUNICIPAL MANAGER

Mr LMR Ngogo

CHIEF FINANCIAL OFFICER

Mr DD Lott

REGISTERED OFFICE

Sewell Street, Plettenbergbay, 6600
Private Bag X 1002, Plettenbergbay, 6600

AUDITORS

Office of the Auditor General

PRINCIPLE BANKERS

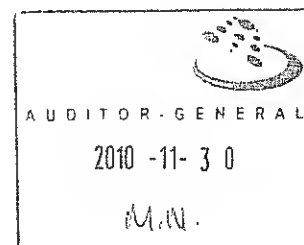
Standard Bank, Plettenbergbay

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

Mosdall, Pama & Cox
Nandi Butabula
Hutchinson



BITOU LOCAL MUNICIPALITY

MEMBERS OF THE BITOU LOCAL MUNICIPALITY

WARD		COUNCILLOR
1	Wittedrif/Kurland	<i>Alderman E Wildeman</i>
2	Qolweni/Bossiesgif	<i>L.M. Seyisi</i>
3	New Horizons	<i>L. Luiters</i>
4	Town/ Kranshoek	<i>C L Dreyer</i>
5	Kwanokuthula	<i>D Xego</i>
6	Harkerville	<i>M Booysen</i>

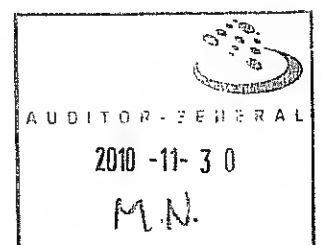
APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



Mr LMR Ngogo
Municipal Manager

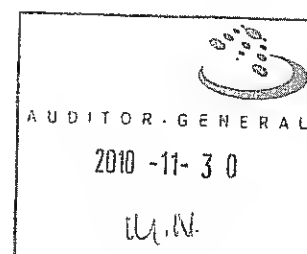
29/11/2010
Date



BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

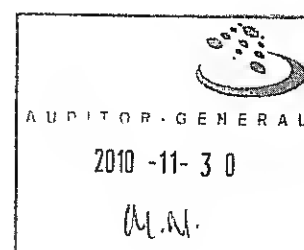
	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		195,588,769	165,884,839
Capital Replacement Reserve	2	1,060,218	1,046,719
Housing Development fund	2	1,041,622	1,041,622
Accumulated Surplus.		193,486,929	163,796,498
Non-Current Liabilities		120,775,113	97,709,488
Long-term Liabilities	3	85,372,145	62,974,644
Non - Current Employee benefits	4	27,246,249	27,322,639
Non-Current Provisions	5	8,156,719	7,412,205
Current Liabilities		79,508,493	53,931,170
Consumer Deposits	6	3,947,880	3,652,301
Current Employee benefits	7	11,522,829	7,245,472
Trade and other payables	8	36,222,730	19,830,014
Unspent Conditional Government Grants and Receipts	9	22,535,017	18,463,674
Unspent Public Contributions	10	-	162,352
Operating Lease Liability	20.1	643,510	579,178
Current Portion of Long-term Liabilities	3	4,636,527	3,998,179
Total Net Assets and Liabilities		395,872,375	317,525,496
ASSETS			
Non-Current Assets		333,434,475	227,052,993
Property, Plant and Equipment	12	319,083,312	218,302,589
Investment Property	13	1,161,797	1,199,996
Intangible Assets	14	9,144,934	3,648,293
Non-Current Investments	15	3,669,257	3,365,952
Long-Term Receivables	16	375,175	536,163
Current Assets		62,437,900	90,472,504
Inventory	17	2,689,776	3,798,199
Trade Receivables from exchange transactions	18	17,391,436	14,944,704
Other Receivables from non-exchange transactions	19	9,439,452	2,928,375
Unpaid Conditional Government Grants and Receipts	9	-	3,602,856
Operating Lease Asset	20.2	14,793	15,908
Taxes	11	16,217,722	7,160,173
Current Portion of Long-term Receivables	16	80,651	188,998
Cash and Cash Equivalents	21	16,604,070	57,833,292
Total Assets		395,872,375	317,525,496



BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

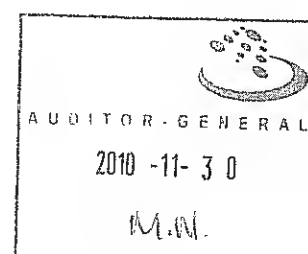
	Notes	2010 R	2009 R
REVENUE			
Revenue from Non-exchange Transactions		161,396,288	121,760,390
Taxation Revenue		57,569,307	50,060,275
Property taxes	22	57,569,307	50,060,275
Transfer Revenue		98,369,766	65,618,179
Government Grants and Subsidies - Capital	23	24,387,084	6,707,035
Government Grants and Subsidies - Operating	23	62,328,614	56,586,817
Public Contributions and Donations	25	11,654,068	2,324,328
Other Revenue		5,457,215	6,081,936
Third Party Payments		45,402	471,158
Fines		5,411,813	5,610,778
Revenue from Exchange Transactions		129,994,668	117,025,371
Property Rates - penalties imposed and collection charges		2,332,064	2,730,948
Service Charges	26	115,549,561	99,986,208
Rental of Facilities and Equipment		1,415,204	815,362
Interest Earned - external investments		3,916,959	6,613,617
Licences and Permits		27,376	76,281
Other Income	27	6,753,504	6,802,954
Total Revenue		291,390,956	238,785,761
EXPENDITURE			
Employee related costs	28	89,743,994	74,288,920
Remuneration of Councillors	29	2,992,474	2,776,599
Debt Impairment	30	7,570,413	7,745,499
Collection Cost		892,465	716,179
Depreciation and Amortisation		10,791,047	13,598,906
Inventory Impairment	31	286,232	48,248
Repairs and Maintenance		16,749,985	9,181,664
Finance Charges	32	7,776,908	4,274,484
Bulk Purchases	33	40,643,872	30,254,422
Contracted services		9,340,626	4,672,054
Other Operating Grant Expenditure	24	24,612,902	31,572,931
General Expenses	34	54,604,830	49,710,185
Total Expenditure		266,005,748	228,840,090
Operating Surplus for the Year		25,385,208	9,945,670
Gain on disposal of Property, Plant & Equipment/Investment			
Property		320,534	656,147
Actuarial Gains		3,998,188	2,069,600
NET SURPLUS FOR THE YEAR		29,703,930	12,671,417



BITOU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

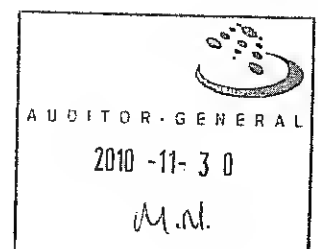
	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R	R
Balance at 1 JULY 2008	1,041,622	17,115,006	134,339,449	152,496,077
Change in accounting policy - See Note 34.02	-	-	201,884	201,884
Correction of error - See Note 35.08	-	-	515,461	515,461
Restated Balance at 1 JULY 2008	1,041,622	17,115,006	135,056,794	153,213,422
Net Surplus for the year	-	-	12,671,417	12,671,417
Transfer to CRR	-	22,000,000	(22,000,000)	-
Property, Plant and Equipment purchased	-	(38,068,287)	38,068,287	-
Balance at 30 JUNE 2009	1,041,622	1,046,719	163,796,498	165,884,839
Net Surplus for the year	-	-	29,703,930	29,703,930
Property, Plant and Equipment purchased	-	(27,486,501)	27,486,501	-
Contribution to Capital Replacement Reserve	-	27,500,000	(27,500,000)	-
Balance at 30 JUNE 2010	1,041,622	1,060,218	193,486,929	195,588,769



BITOU LOCAL MUNICIPALITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		268,200,952	215,710,284
Cash paid to suppliers and employees		(221,219,752)	(179,731,949)
Cash generated by operations	37	46,981,200	35,978,335
Interest Received		3,916,959	6,613,617
Interest Paid		(7,776,908)	(4,274,484)
Net Cash from Operating Activities		43,121,251	38,317,468
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(102,425,333)	(66,521,523)
Proceeds on Disposal of Fixed Assets		320,534	656,147
Purchase of Intangible Assets		(5,543,133)	(3,621,461)
Decrease in Non-current receivables		269,335	592,581
(Increase) in Non-current Investments		(303,305)	301,647
Net Cash from Investing Activities		(107,681,901)	(68,592,609)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		27,193,340	34,192,452
Loans repaid		(4,157,491)	(2,988,996)
Increase in Consumer Deposits		295,579	161,424
Net Cash from Financing Activities		23,331,428	31,364,881
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(41,229,222)	1,089,741
Cash and Cash Equivalents at the beginning of the year		57,833,292	56,743,551
Cash and Cash Equivalents at the end of the year	38	16,604,070	57,833,292
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(41,229,222)	1,089,741



ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

The municipality complies with the standards of GRAP.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosures
IFRS 3 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures

IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
SIC -21 (AC 421)	Income Taxes – Recovery of Revalued Non- Depreciable Assets
SIC -25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC -29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 2 (AC 435)	Members' Shares in Co – Operative Entities and Similar Instruments
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC 442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer loyalty Programmes
IFRIC 14 (AC 447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC 449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories;
 GRAP 16 – Investment Property;
 GRAP 17 – Property, Plant and Equipment;
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;
 GRAP 102 – Intangible Assets.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements are prepared on the basis that the municipality will remain a going concern.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 18	Segment Reporting Information to a large extent is already included in Appendix C of the annual financial statements. When the Standard becomes effective the information will form part of the audited financial statements.	Unknown
GRAP 21	Impairment of non-cash-generating assets The municipality complies with IPSAS 21 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required to the financial statements.	Unknown
GRAP 23	Revenue from Non-Exchange Transactions Principles of GRAP 23 were applied in formulating the accounting treatment of non-exchange revenue, where the application of only GAMAP 9, as required by GRAP 9 until GRAP 23 is effective, is insufficient.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in Appendix D(1) and D(2) of the annual financial statements. When the Standard becomes effective the information will form part of the audited financial statements.	Unknown

GRAP 26	Impairment of cash-generating assets The municipality complies with IAS 36 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required to the financial statements.	Unknown
GRAP 103	Heritage Assets No adjustments will necessary other than a separate line item in the Statement of Financial Position and the transfer of the values from property, plant and equipment.	Unknown

1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

1.7.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.8. LEASES

1.8.1 Municipality as Lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised

at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

The initial direct cost incurred by the municipality in negotiating an operating lease is being expensed.

1.8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

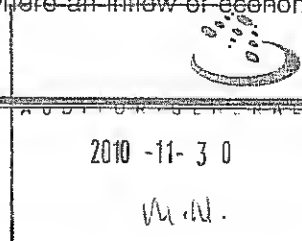
1.9. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

1.10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.



Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.11. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.12. EMPLOYEE BENEFITS

(a) *Pension obligations*

The municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) Post Retirement Medical obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(d) Accrued Leave Pay

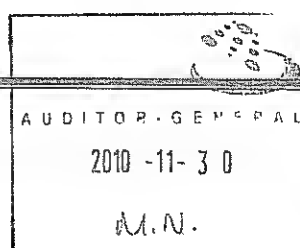
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.13. PROPERTY, PLANT AND EQUIPMENT**1.13.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.



Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment.

1.13.2 Subsequent Measurement – Cost Model

Property, plant and equipment is stated at cost, less accumulated depreciation, less any accumulated impairment in value. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

Infrastructure Assets

Electricity

Class	Asset Type	Expected Useful Life
High Voltage	HV Overhead Line	50
High Voltage	HV Substation Battery	10
High Voltage	HV Substation Electrical Plant	50
High Voltage	HV Substation Yard Stone	15
High Voltage	HV Underground Cable	50
Medium Voltage	Ground Mounted Transformer	50
Medium Voltage	Mini Sub-Station	50
Medium Voltage	MV Overhead Line	50
Medium Voltage	MV Substation Battery	10
Medium Voltage	MV Substation MV Switchgear	50
Medium Voltage	MV Underground Cable	50
Medium Voltage	Pole Mounted Transformer	50
Medium Voltage	Ring Main Unit	50
Low Voltage	LV Conductor Network	50
Low Voltage	Streetlight	50
Low Voltage	LV Consumer Connection	50

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Water

Class	Asset Type	Expected Useful Life
Borehole	Civil Structure	50
Borehole	Electrical Plant	15
Borehole	Telemetry	30
Borehole	Mechanical Plant	15
Dam	Civil Structure	100
Spring Protection	Civil Structure	50
Bulk Water Channel	Concrete	50
Bulk Water Pipeline	AC	60
Bulk Water Pipeline	FC	60
Bulk Water Pipeline	GRP	100
Bulk Water Pipeline	HDPE	100
Bulk Water Pipeline	PVC	60
Bulk Water Pipeline	Steel	100
Bulk Water Pipeline	uPVC	100
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Reservoir	Civil Structure	50
Reservoir	Electrical Plant	15
Reservoir	Telemetry	30
Reticulation Pipeline	AC	60
Reticulation Pipeline	CI	100
Reticulation Pipeline	Clay	60
Reticulation Pipeline	FC	60
Reticulation Pipeline	HDPE	100
Reticulation Pipeline	PVC	60
Reticulation Pipeline	Steel	100
Reticulation Pipeline	uPVC	100
Water Treatment Works	Civil Structure	50
Water Treatment Works	Mechanical Plant	15
Water Treatment Works	Electrical Plant	15
Water Treatment Works	Telemetry	30

Sanitation

Class	Asset Type	Expected Useful Life
Bulk Sewer Pipeline	AC	60
Bulk Sewer Pipeline	CI	100
Bulk Sewer Pipeline	Concrete	60
Bulk Sewer Pipeline	GRP	60
Bulk Sewer Pipeline	HDPE	60
Bulk Sewer Pipeline	PF	60
Bulk Sewer Pipeline	PVC	60

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Class	Asset Type	Expected Useful Life
Bulk Sewer Pipeline	SG	60
Bulk Sewer Pipeline	uPVC	60
Bulk Sewer Pipeline	Weholite	60
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Sewage Treatment Works	Civil Structure	50
Sewage Treatment Works	Mechanical Plant	15
Sewage Treatment Works	Electrical Plant	15
Sewage Treatment Works	Telemetry	30
Sewer Reticulation Pipeline	AC	60
Sewer Reticulation Pipeline	CI	100
Sewer Reticulation Pipeline	Concrete	60
Sewer Reticulation Pipeline	GRP	60
Sewer Reticulation Pipeline	HDPE	60
Sewer Reticulation Pipeline	PF	60
Sewer Reticulation Pipeline	PVC	60
Sewer Reticulation Pipeline	SG	60
Sewer Reticulation Pipeline	Steel	60
Sewer Reticulation Pipeline	uPVC	60
Sewer Reticulation Pipeline	Vitreous Clay	60
Sewer Reticulation Pipeline	Weholite	60

Road Transport

Class	Asset Type	Expected Useful Life
Overhead Gantry	Overhead Gantry	100
Parking Area	Surfacing Asphalt	50
Road Asphalt	UA Surfacing	15
Road Asphalt	UA Base	30
Road Asphalt	UA Structure	100
Road Asphalt	UB Surfacing	15
Road Asphalt	UB Base	30
Road Asphalt	UB Structure	100
Road Asphalt	UC Surfacing	20
Road Asphalt	UC Base	40
Road Asphalt	UC Structure	100
Road Asphalt	UD Surfacing	25
Road Asphalt	UD Base	50
Road Asphalt	UD Structure	100
Road Unpaved	Surface	7
Road Unpaved	Structure	25
Signalized Intersection	Signalized Intersection	15
Guardrail	Guardrail	15
Bridge	Bridge	100
Retaining Wall	Retaining Wall	100

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Taxi Rank	Commuter Shelter	15
Taxi Rank	Surfacing Asphalt	15
Footpath	Footpath	30

Stormwater

Class	Asset Type	Expected Useful Life
Attenuation Pond	Attenuation Pond	25
Covered Channel	Lined Channel	50
Culvert	Major Culvert	50
Culvert	Minor Culvert	20
Erosion Protection	Erosion Protection	20
Open Channel	Lined Channel	50
Open Channel	Unlined Channel	10
Reticulation Pipeline	Concrete	50

Solid Waste Asset

Class	Asset Type	Expected Useful Life
Containers	Containers	20
Landfill	Leachate System	50
Landfill	Weighbridge	50
Landfill	Earth Embankment	25
Landfill	Pump Station Electrical Plant	15
Landfill	Pump Station Civil Structure	50
Landfill	Leachate System	50
Landfill	Pump Station Telemetry	30
Landfill	Pump Station Mechanical Plant	15
Transfer Stations	Building	30
Transfer Stations	Civil Structure	8
Transfer Stations	Mechanical Plant	15

Other Assets

Class	Expected Useful life (EUL)
Buildings	30
Specialist vehicles	10-20
Other vehicles	3-6
Office equipment	5-10
Furniture and fittings	5-10
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	5-15
Other plant and Equipment	2-5
	0
Quarries	25
Emergency equipment	5-15

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Computer equipment	5
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Community Assets

Class	Expected Useful life (EUL)
Buildings	30
Recreational Facilities	15-20
Security	3-5
Halls	30
Libraries	30
Parks and gardens	15-20
Other assets	10-30

Finance lease assets

Class	Expected Useful life (EUL)
Office equipment	3-5
Other assets	5-6

1.13.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

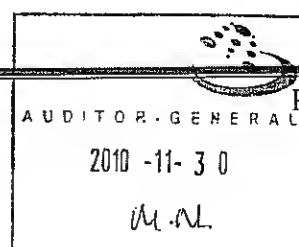
1.14. INTANGIBLE ASSETS**1.14.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.



Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets

Class	Expected Useful Life
Computer Software	5

1.14.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

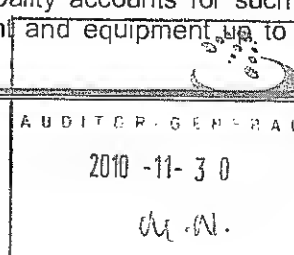
1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.



The cost of self-constructed investment property is the cost at date of completion.

1.15.2 Subsequent Measurement – Cost Model

Investment property is measured using the cost model. Under the cost model, investment property is carried at its cost less accumulated depreciation, less any accumulated impairment in value at the reporting date as per GRAP 16 paragraph 64.

Class	Expected Useful life (EUL)
Buildings	30

1.15.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. NON-CURRENT ASSETS HELD FOR SALE

1.16.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.16.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

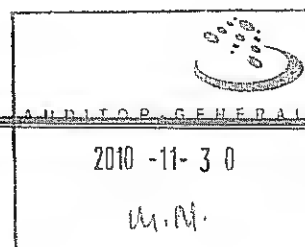
1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.



1.19. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, long term receivables, cash and cash equivalents, consumer deposits, annuity loans and trade and other payables.

1.19.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.19.2 Subsequent Measurement

The *amortised cost of a financial asset or financial liability* is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The *effective interest method* is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.19.2.1 Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.19.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor; probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial

assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.19.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality

has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

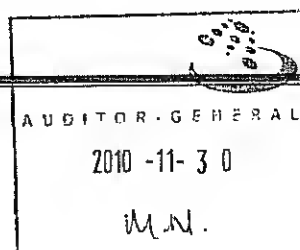
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.19.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19.5 Impairment of Financial Assets

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



1.20. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The

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provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year end for unused units. The process followed to determine the unused units are discussed under significant accounting judgements and estimates in section 1.27.

Service charges relating to refuse removal are recognised on an annual basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied annually or monthly by choice of the user.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.21. OTHER INCOME – RECOVERY OF UNAUTHORISED, FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance

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Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. IRREGULAR EXPENDITURE

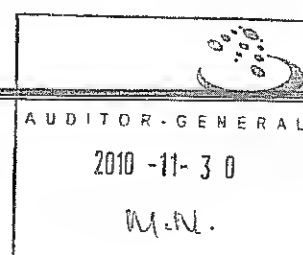
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the notes to the financial statements.



1.27 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Pension and other post-employment benefits

The value of R 25,448,469 (2009: R25,843,316) of the defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of trade receivables of R 24,232,719 (2009: R 23,902,921) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

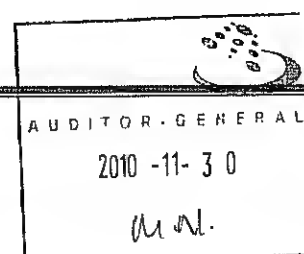
The useful lives of items of Property, plant and equipment with a carrying value of R 319,083,312 (2009: R 218,302,588) are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provision for landfill sites

The provision for rehabilitation of the landfill site with a value of R 7,827,272 (2009: R 7,115,702) is recognised as and when the environmental liability arises. The provision is calculated by an qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Provision for clearing of alien vegetation

The municipality has an obligation to clear alien vegetation of R 329,447 (2009: R 296,503). The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectar and the total size of the land to be cleared.



Provision for Task Implementation Backpay

The provision at year end of R 938,805 (2009: R0) represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 November 2009. The calculation was based on the difference between the current remuneration package compared to the remuneration package as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Performance bonuses

The provision for performance bonuses with a value of R 1,329,431 (2009: R 1,309,684) represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are however subject to an evaluation by council.

Provision for Staff leave

Staff leave amounting to R 5,299,775 (2009: R 3,481,524) accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

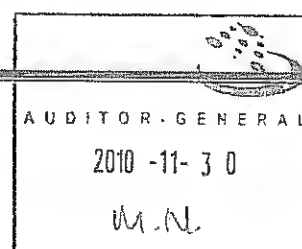
Pre-paid electricity to the value of R 63,824 (2009: R 110,639) is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.28. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.



	2010 R	2009 R
2 NET ASSET RESERVES		
RESERVES	2,101,840	2,088,341
Capital Replacement Reserve	1,060,218	1,046,719
Housing Development fund	1,041,622	1,041,622
Total Net Asset Reserve and Liabilities	2,101,840	2,088,341
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	89,385,090	66,259,874
Hire Purchase	91,418	197,754
Capitalised Lease Liability - At amortised cost	532,164	515,195
Balance previously reported	-	331,338
Capitalised lease liability previously not recognised - Note 36.05	-	183,857
	90,000,672	66,972,823
Less: Current Portion transferred to Current Liabilities	4,636,527	3,998,179
Annuity Loans - At amortised cost	4,316,034	3,737,820
Hire Purchase	91,418	106,535
Capitalised Lease Liability - At amortised cost	229,075	153,824
Balance previously reported	-	159,579
Current portion of Capitalised lease liability previously not recognised - Note 36.05	-	(5,755)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	85,372,145	62,974,644

Development Bank Loans

Various structured loans have been taken up with DBSA, with an original value totaling R79.5m. One of the DBSA loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal installments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a 20 year period each with a maturity date ranging from 31/12/2019 - 31/12/2029 respectively. Interest rates applicable on all loans vary from 9% to 12%

First National Bank

A new loan amounting to R3,400,000 has been taken up from First National Bank in the current financial year. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a five year period with maturity date of 30/06/2015. Interest rates applicable to this loans amounts to 10.56%

Standard Bank

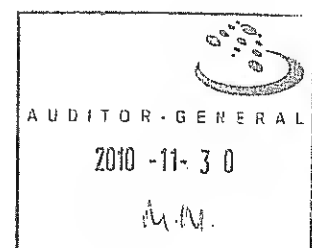
A new loan amounting to R23,600,000 has been taken up from Standard bank in the current financial year. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a 10 - 15 year period with maturity date of 30/06/2025. Interest rates applicable to this loans vary from 11.39 - 11.45%.

Fixed Deposits of R3 669 256.75 (2009: R3 365 952) have been ring-fenced for the purposes of repaying Long-term Liabilities as set out in Notes 15

The fair value of Long-Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

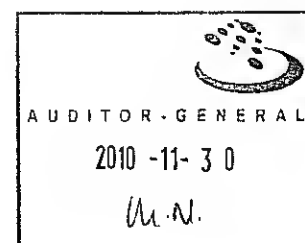
The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	280,905	210,051
Payable within two to five years	337,858	418,932
Payable after five years	-	-
	618,763	628,983
Less: Future finance obligations	(86,599)	(113,788)
Present value of lease obligations	532,164	515,195



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The obligations under hire purchase agreements are scheduled below:		
	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	95,986	119,573
Payable within two to five years	-	99,577
Payable after five years	-	-
	95,986	219,150
Less: Future finance obligations	(4,568)	(21,395)
Present value of hire purchase obligations	91,418	197,754
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
Leases are secured by property, plant and equipment - Note 12		
4 NON CURRENT EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	24,869,420	25,109,659
Long Service Awards - Refer to Note 4.2	2,376,829	2,212,980
Total Non-current Employee Benefit Liabilities	27,246,249	27,322,639
<u>Post Retirement Benefits</u>		
Balance 1 July	25,843,315	23,244,965
Contribution for the year	4,165,277	4,067,486
Expenditure for the year	(733,656)	(519,483)
Actuarial gain	(3,826,468)	(949,653)
Total post retirement benefits 30 June	25,448,468	25,843,315
Less: Transfer of Current Portion - Note 7	(579,048)	(733,656)
Balance 30 June	24,869,420	25,109,659
<u>Long Service Awards</u>		
Balance 1 July	2,432,297	3,012,888
Contribution for the year	529,263	764,368
Expenditure for the year	(219,317)	(225,012)
Actuarial gain	(171,720)	(1,119,947)
Total long service 30 June	2,570,523	2,432,297
Less: Transfer of Current Portion - Note 7	(193,694)	(219,317)
Balance 30 June	2,376,829	2,212,979.52
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	28,275,612	26,257,863
Contribution for the year	4,694,540	4,831,864
Expenditure for the year	(962,973)	(744,495)
Actuarial gain	(3,998,188)	(2,069,600)
Total employee benefits 30 June	28,018,991	28,275,612
Less: Transfer of Current Portion - Note 7	(772,742)	(952,973)
Balance 30 June	27,246,249	27,322,639
4 EMPLOYEE BENEFITS (CONTINUED)		
4.1 Post Retirement Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	373	358
Continuation members (e.g. Retirees, widows, orphans)	26	27
Total Members	399	385



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The liability in respect of past service has been estimated to be as follows:

	2010 R	2009 R
In-service members	18,201,350	16,703,587
Continuation members	7,247,119	9,139,729
Total Liability	25,448,469	25,843,316

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Samwumed; and
Keyhealth.

The Current-service Cost for the ensuing year is estimated to be R 1,913,111 whereas the Interest Cost for the next year is estimated to be R 2,317,153

Key actuarial assumptions used:	2010 %	2009 %
i) Rate of interest		
Discount rate	9.21%	9.01%
Health Care Cost Inflation Rate	7.26%	7.71%
Net Effective Discount Rate	1.81%	1.20%
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 63 (male) and 58 (female), which then implicitly allows for expected rates of early and ill-health retirement.		

The amounts recognised in the Statement of Financial Position are as follows:

	2010 R	2009 R
Present value of fund obligations	25,448,469	25,843,316
Net liability	25,448,469	25,843,316

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	25,843,316	23,244,965
Total expenses	3,431,521	3,548,004
Current service cost	1,869,321	1,613,965
Interest Cost	2,295,956	2,453,522
Benefits Paid	(733,666)	(519,483)
Actuarial gain	(3,826,468)	(949,653)
Balance 30 June	25,448,469	25,843,316

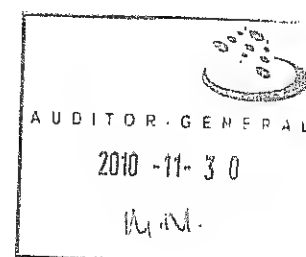
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EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis on changes to the Unfunded Accrued Liability

The effect of movements in the assumptions are as follows:

Assumption 2010	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		1,869,300	2,295,000	4,165,300	
Health care inflation	+ 1%	2,338,500	2,744,700	5,083,200	22%
Health care inflation	- 1%	1,511,400	1,942,400	3,453,800	-17%
Post-retirement mortality	- 1 yr	1,927,000	2,376,500	4,303,500	3%
Average retirement age	- 1 yr	1,893,000	2,417,400	4,310,400	3%
Withdrawal Rate	-50%	2,208,000	2,486,100	4,694,100	13%



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Current Service Cost	Interest Cost	Total	% change
Assumption 2009	Change				
Central assumptions		1,614,000	2,453,500	4,067,500	
Health care inflation	+ 1%	2,023,300	2,929,600	4,952,900	22%
Health care inflation	- 1%	1,301,700	2,078,200	3,379,900	-17%
Post-retirement mortality	- 1 yr	1,664,100	2,540,200	4,204,300	3%
Average retirement age	- 1 yr	1,600,100	2,580,200	4,380,300	8%
Withdrawal Rate	-50%	1,905,900	2,654,800	4,560,700	12%

CAPE JOINT PENSION FUND

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of IAS 19, multi-employer plans are defined as defined benefit plans. IAS 19 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in IAS 19.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

The contribution rate payable is 9% by members and 16% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2008 - 106.5%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.

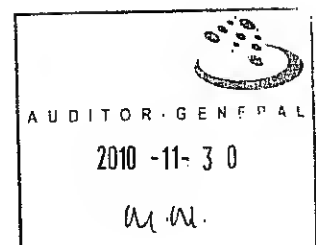
	2010 R	2009 R
4.2 Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans. As at year end, 404 employees were eligible for Long Service Bonuses.		
The Future-service Cost for the ensuing year is estimated to be R 346 890 whereas the interest cost for the next year is estimated to be R 225 325		
Key actuarial assumptions used:	2010 %	2009 %
1) Rate of Interest		
Discount rate	9.10%	9.16%
General Salary inflation (long-term)	6.42%	6.54%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.52%	2.47%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2,570,523	2,432,297
Net liability	<u>2,570,523</u>	<u>2,432,297</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2,432,297	3,012,888
Total expenses	309,946	(430,962)
Current service cost	315,811	451,869
Interest Cost	213,452	312,499
Benefits Paid	(219,317)	(332,934)
Effect of Curtailment/Settlement	-	(662,396)
Actuarial gain	(171,720)	(149,629)
Balance 30 June	<u>2,570,523</u>	<u>2,432,297</u>



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Sensitivity Analysis on changes to the Unfunded Accrued Liability

The effect of movements in the assumptions are as follows:

Assumption 2010	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		315,811	213,452	529,263	
General salary inflation + 1%	+ 1%	338,332	229,751	568,083	7%
General salary inflation - 1%	- 1%	296,055	198,825	494,880	-6%
Average retirement age - 2 yrs	- 2 yrs	292,541	181,977	474,518	-10%
Average retirement age + 2 yrs	+ 2 yrs	350,309	239,929	590,238	12%
Withdrawal rates -50%	-50%	392,490	249,970	642,460	21%

Assumption 2009	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		451,869	312,499	764,368	
General salary inflation + 1%	+ 1%	594,502	721,174	1,315,676	8%
General salary inflation - 1%	- 1%	510,156	629,596	1,139,752	-7%
Average retirement age - 2 yrs	- 2 yrs	511,033	615,501	1,126,534	-8%
Average retirement age + 2 yrs	+ 2 yrs	577,820	718,528	1,294,348	6%
Withdrawal rates -50%	-50%	717,891	824,667	1,542,558	26%

5 NON-CURRENT PROVISIONS

	2010 R	2009 R
Provision for Rehabilitation of Landfill-sites	7,827,272	7,115,702
Provision for Clearing of Alien Vegetation	329,447	296,503
Total Non-current provisions	8,156,719	7,412,205

Landfill Sites

Balance Previously reported	-	-
First time recognition of Landfill Site Provision - Note 35.02	-	6,468,820
Restated Balance 1 July	7,115,702	6,468,820
Interest accrual	711,570	646,882
Balance 30 June	7,827,272	7,115,702

Clearing of Alien Vegetation

Balance previously reported	-	-
First time recognition of Alien Vegetation Provision - Note 36.02	-	266,853
Balance 1 July	296,503	266,853
Contribution for the year	337,293	249,485
Balance Previously reported	-	-
First time recognition of Alien Vegetation Provision - Note 36.02	-	249,485
Expenditure for the year	(304,349)	(219,835)
Balance Previously reported	-	-
First time recognition of Alien Vegetation Contribution - Note 36.02	-	(219,835)
Balance 30 June	329,447	296,503

6 CONSUMER DEPOSITS

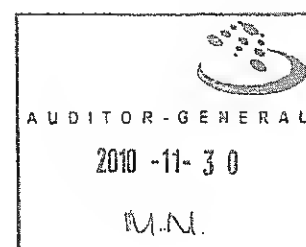
Water & Electricity	3,947,880	3,652,301
Total Consumer Deposits	3,947,880	3,652,301
Guarantees held in lieu of Electricity and Water Deposits	205,125	225,885

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7

CURRENT EMPLOYEE BENEFITS

	2010 R	2009 R
Current Portion of Post Retirement Benefits - Note 4	579,048	733,656
Current Portion of Long-Service Provisions - Note 4	193,694	219,317
Performance Bonuses	1,329,431	1,309,684
Staff Bonuses	1,771,910	1,501,290
Provision for TASK	938,805	-
Provision for Shortfall in Annual Earning of Cape Joint Pension Fund	1,410,166	-
Staff Leave	5,299,775	3,481,524
Total Current Employee Benefits	11,522,829	7,245,472

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Balance at beginning of year	1,309,684	387,773
Contribution to current portion	1,036,878	921,911
Expenditure incurred	(1,017,131)	-
Balance at end of year	1,329,431	1,309,684

Performance bonuses are being paid to Municipal Manager, Directors and Employees on Fixed Term Contracts after an evaluation of performance by the council. There is no possibility of reimbursement.

Staff Bonuses

Balance at beginning of year	1,501,290	1,091,926
Contribution to current portion	2,924,507	409,364
Expenditure incurred	(2,653,887)	-
Balance at end of year	1,771,910	1,501,290

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Provision for TASK

Balance 1 July	-	-
Contribution for the year	938,805	-
Balance 30 June	938,805	-

Provision for Shortfall in Annual Earning of Cape Joint Pension Fund

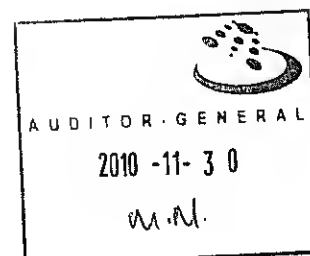
Balance 1 July	-	-
Contribution for the year	1,410,166	-
Balance 30 June	1,410,166	-

The municipality received notice from the Cape Joint Pension Fund regarding a shortfall in the annual earnings of the fund. The actual investment return that was reported amounted to -0.94%. The provision amounts to the amount that the Fund requested the municipality to pay.

Staff Leave

Balance at beginning of year	3,481,524	2,646,469
Contribution for the year	2,083,514	1,515,003
Expenditure Incurred	(265,263)	(679,948)
Balance at end of year	5,299,775	3,481,524

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
8 TRADE AND OTHER PAYABLES		
Trade and other Payables	26,869,986	13,708,870
Pre-paid electricity	63,824	110,639
Other Creditors	2,620,550	2,966,966
Balance previously reported	-	3,544,000
Change in Accounting Policy- Accounting for unclaimed money - Note 35.01	-	(577,034)
Payments received in advance	6,256,596	3,043,539
Retentions	411,774	-
Total Trade Payables	36,222,738	19,838,014

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	22,535,817	18,463,674
National Electrification Programme	1,959,533	-
Inc: Kwano Housing Phase 4	-	-
Balance previously reported	-	4,443,726
Transferred to Provincial Housing Grant - Note - 23.19	-	(4,443,726)
Emergency Housing	-	-
Balance previously reported	-	2,923,603
Transferred to Provincial Housing Grant - Note - 23.19	-	(2,923,603)
Umsobomvu Youth Fund	-	22,296
Flood Relief	-	9,559,578
Balance previously reported	-	27,708,420
Correction of prior year income and expenditure incurred - Note 23 and Note 36.08 and Note 36.09	-	(18,148,842)
Revitalise Urban Areas	50,000	50,000
Socio Economic Upgrade	50,000	50,000
Inc: LED MMC Kurland	16,818	16,818
Traffic Disaster Fund	782	782
Spacial Planning Grant	84,200	84,200
Social Responsibility	-	-
Balance previously reported	-	162,352
Transferred to Public Contributions - Note - 10	-	(162,352)
Recharge Groundwater / Boreholes MIG	9,094,153	8,680,000
Provincial Management Support Grant	324,600	-
Neighbourhood Development Partnership Grant	3,531,808	-
Provincial Housing Grant	7,423,123	-
Less: Unpaid Grants	-	3,602,056
Provincial Housing Grant	-	3,602,856
Balance previously reported	-	-
Transferred from other Housing Grants - Note - 23.19	-	3,602,856
Kranshoek Project Link	-	-
Balance previously reported	-	636,896
Transferred to Provincial Housing Grant - Note - 23.19	-	(636,896)
Kurland Project Link	-	-
Balance previously reported	-	949,400
Transferred to Provincial Housing Grant - Note - 23.19	-	(949,400)
Bossiesgif / Qolweni Housing	-	-
Balance previously reported	-	9,383,889
Transferred to Provincial Housing Grant - Note - 23.19	-	(9,383,889)
Total Conditional Grants and Receipts	22,535,017	14,860,818

See appendix "E" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

18 UNSPENT PUBLIC CONTRIBUTIONS

	2010 R	2009 R
Social Responsibility	-	162,352
Balance previously reported	-	-
Correction of Error - Refer Note 9	-	(162,352)
AUDITOR GENERAL		
2010 -11- 3 0		
<i>M.N.</i>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Total Unspent Public Contributions	-	162,352
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11

TAXES

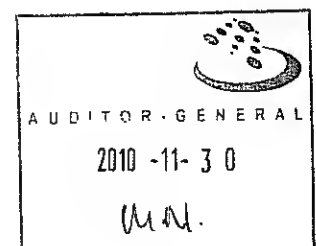
VAT Receivable

Balance previously reported
Correction of Error - Refer Note 36.15

16,217,722	7,160,173
-	9,203,787
-	(2,043,614)
16,217,722	7,160,173

VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.



BITOU MUNICIPALITY

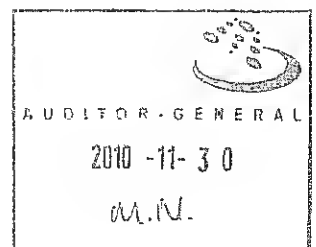
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Cost		Accumulated Depreciation				Carrying Value	
	Opening Balance R	BIF Restatements	Restated Opening Balance	Additions R	Disposals R	Closing Balance R	R	R
Land and Buildings								
Land	42,077,004	-	42,077,004	13,543,080	631,401	56,262,295	21,426,016	22,632,779
Buildings	9,066,523	-	9,066,523	9,105,524	-	18,972,047	-	18,972,047
	32,210,461	-	32,210,461	4,398,256	631,401	37,200,238	21,426,016	22,632,779
Infrastructure								
Roads	285,631,012	-	285,631,012	94,714,204	23,052,034	372,697,256	101,025,747	100,112,116
Sewerage Mains and Purification	01,410,440	-	01,410,440	30,235,505	5,045,060	117,591,913	33,162,437	35,050,134
Electricity Mains	02,324,001	-	02,324,001	7,055,020	13,194,097	83,200,513	21,012,470	23,041,037
Electricity Peak Load Equipment	24,405,864	-	24,405,864	17,150,202	860,226	42,516,402	6,210,651	6,890,635
Water Mains and Purification	14,307,080	-	14,307,080	105,292	1,793,241	15,030,032	0,070,200	2,564,116
Retention - Water	13,255,791	-	13,255,791	-	1,436,422	22,306,069	6,161,793	7,159,702
Water Meters	20,000,046	-	20,000,046	33,320	-	33,320	-	0,660,643
Water Mains	65,700,010	-	65,700,010	0,031,342	140,468	75,466,670	21,055,709	23,148,076
Landfill Sites	3,238,503	-	3,238,503	-	70,410	3,317,012	2,600,210	3,022,075
Community Assets								
Parks and Gardens	10,247,041	-	10,247,041	3,432,002	-	18,091,503	8,902,127	9,896,320
Libraries	4,140,498	-	4,140,498	345,531	-	4,486,029	2,012,913	2,300,445
Recreation Grounds	627,030	-	627,030	1,230,240	-	1,857,270	88,709	100,010
Civic Buildings	8,032,070	-	8,032,070	1,650,002	-	10,680,000	4,811,211	5,183,263
	2,641,235	-	2,641,235	-	-	2,641,235	1,070,294	63,700
Lease Assets								
Office Equipment	723,014	-	723,014	183,340	-	917,154	212,710	140,303
	723,014	-	723,014	183,340	-	917,154	212,710	140,303
Other Assets								
Office Equipment	15,330,017	-	15,330,017	5,310,257	-	20,640,274	10,150,800	11,070,552
Furniture and Fittings	2,739,569	-	2,739,569	4,350,020	-	7,120,584	280,620	1,023,392
Bins and Containers	500,040	-	500,040	523,143	-	1,023,183	53,515	219,673
Emergency Equipment	15,036	-	15,036	-	-	15,036	15,036	15,036
Motor Vehicles	339,086	-	339,086	2,393	-	341,479	16,501	25,492
Fire Engines	0,307,802	-	0,307,802	-	-	3,377,578	7,377,578	334,125
Refuse Tankers	1,491,157	-	1,491,157	-	-	1,491,157	1,050,024	53,785
Computer Equipment	1,240,488	-	1,240,488	402,705	-	1,643,193	1,240,488	1,240,488
	803,908	-	803,908	-	-	1,296,603	113,420	109,440
	300,010,088	-	300,010,088	87,203,643	24,293,035	411,506,766	141,713,408	182,419,649
							10,700,353	310,893,312



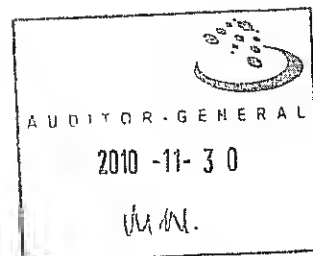
BITUM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 JUNE 2009

Reconciliation of Carrying Value

	Cost		Accumulated Depreciation				Carrying Value	
	Opening Balance R	B/F Revaluations R	Restated Opening Balance R	Additions R	Disposals R	Closing Balance R	R	R
Land and Buildings	30,051,005	(1,031,007)	35,110,208	0,765,238	102,560	35,772,886	20,050,886	8,866,523
Land	5,859,167	(1,000,000)	4,859,167	5,016,336	-	9,875,503	21,420,010	10,704,465
Buildings	35,102,710	(2,024,007)	30,269,021	1,749,000	102,560	32,210,481	21,235,016	18,000,000
Infrastructure	220,558,702	640,511	220,200,343	47,820,547	8,380,122	269,640,768	11,000,764	184,005,264
Roads	66,403,680	(573,569)	65,830,111	6,097,237	8,593,122	71,334,226	33,102,437	48,248,013
Sewerage Mains and Purification	54,135,850	-	54,135,850	8,216,751	-	62,352,601	2,140,771	40,440,422
Electricity Mains	24,093,155	(12,314,310)	11,778,845	12,711,228	-	24,490,073	5,014,802	18,270,413
Electricity Peak Load Equipment	475,877	12,703,767	13,179,644	1,128,248	-	14,307,892	2,195,001	12,082,621
Water Mains and Purification	17,410,085	(4,155,164)	13,254,921	442,139	-	13,697,060	5,745,515	6,585,591
Reservoirs - Water	13,690,020	6,816,467	20,506,487	20,427,507	-	40,933,994	6,010,793	14,637,652
Water Meters	402,803	(402,803)	-	-	-	-	-	-
Water Mains	40,652,152	(1,008,320)	39,643,832	10,050,186	-	49,694,018	21,055,708	43,750,309
Landfill Sites	2,295,232	646,501	2,941,733	203,750	-	3,145,483	2,680,210	540,344
Community Assets	3,700,744	12,250,730	15,957,474	200,167	-	16,157,641	10,002,127	7,355,514
Parks and Gardens	70,150	4,070,348	4,140,498	-	-	4,140,498	2,012,813	2,127,685
Libraries	87,030	-	87,030	-	-	87,030	60,700	26,330
Recreation Grounds	362,320	0,180,382	542,702	290,167	-	832,869	4,811,211	4,021,007
Civic Buildings	2,641,235	-	2,641,235	-	-	2,641,235	1,915,588	601,641
Lease Assets	371,140	100,570	471,710	256,005	-	727,715	60,453	511,005
Office Equipment	271,148	106,570	377,718	256,005	-	633,723	212,719	511,005
Other Assets	13,085,040	84,172	13,169,212	2,562,780	-	15,731,992	10,150,099	5,170,728
Office Equipment	1,296,043	83,075	1,379,118	1,642,464	-	3,021,582	243,713	2,777,869
Furniture and Fittings	112,550	1,007	113,557	485,106	-	598,663	47,078	551,585
Sign and Containers	15,030	-	15,030	-	-	15,030	-	15,030
Emergency Equipment	17,800	-	17,800	121,370	-	139,170	2,100	137,070
Motor Vehicles	8,427,802	-	8,427,802	-	-	8,427,802	531,549	7,896,253
Fire Engines	1,491,157	-	1,491,157	-	-	1,491,157	1,050,024	441,133
Relief Trucks	1,240,488	-	1,240,488	-	-	1,240,488	1,240,488	-
Computer Equipment	364,517	-	364,517	445,071	-	809,588	64,797	609,550
Total	284,532,500	0,253,354	284,785,854	57,734,041	9,706,682	341,726,577	141,713,400	210,302,860



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12. PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Property, Plant and Equipment in accordance with the standard, including the following:

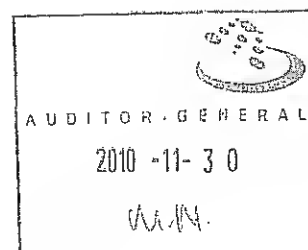
Land;
 Property, Plant and Equipment financed by way of finance leases;
 Property, Plant and Equipment transferred by way of provisions;
 Property, Plant and Equipment transferred as a result of the transfer of functions; and
 Componentised infrastructure assets.

Land carried at a provisional amount of R0 was disposed during the year under review. The proceeds on the disposal of these assets amounted to R209 534 (2009: R 656 147).

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The municipality is in the process of identifying all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. All infrastructure and community assets that were acquired before 2008/2009 financial period has been compromised, aged and depreciated over its actual useful lives. All additions from 2009/2010 financial period to carried at provisional amounts and depreciated by applying the useful lives as included in the original appendix to GAMP 113.

The municipality therefore utilised the transitional provision in the following areas:

- Review of useful life of item of PPE recognised in the annual financial statements;
- Review of the depreciation method applied to PPE recognised in the annual financial statements;
- Review of residual values of item of PPE recognised in the annual financial statements;
- Impairment of non-cash generating assets;
- Impairment of cash generating assets.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Fully Depreciated assets still in use were as follows:		
Cost	20,201,177	17,033,104
Land and Buildings	9,696,311	8,193,327
Infrastructure	1,734,413	1,727,121
Community Assets	730,000	730,000
Other	8,040,453	7,182,656
Accumulated depreciation	20,201,177	17,833,104
Land and Buildings	9,696,311	8,193,327
Infrastructure	1,734,413	1,727,121
Community Assets	730,000	730,000
Other	8,040,453	7,182,656
Carrying value	-	-
This amount is affected by the fact that the municipality is still in the process of implementing the measurement criteria of GRAP 17.		

13 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	1,199,996	2,154,980
Cost	2,154,980	2,154,980
Balance previously reported	-	-
Transfer of Investment Property from PPE - Refer to note 12	-	2,154,980
Depreciation for the year	(38,199)	(954,984)
Balance previously reported	-	-
Depreciation on first time recognised investment property - Note 36.04	(38,199)	(954,984)
Net Carrying amount at 30 June	1,161,797	1,199,996
Cost	2,154,980	2,154,980
Accumulated Depreciation	(993,183)	(954,984)

Investment properties are carried at provisional amounts as the measurement exemptions are taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 53.3

The municipality is currently in a process of measuring all Investment Property in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

14 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	3,648,293	60,381
Cost	4,359,576	738,115
Accumulated Amortisation	(711,283)	(669,734)
Acquisitions	-	3,621,461
Work in Progress	5,543,133	-
Amortisation	(46,492)	(41,549)
Balance previously reported	-	(178,032)
Amortisation incorrectly charged on work in progress: CIPAL - Note 36.14	-	136,483
Net Carrying amount at 30 June	9,144,934	3,648,293
Cost	9,902,709	4,359,576
Accumulated Amortisation	(757,775)	(711,283)

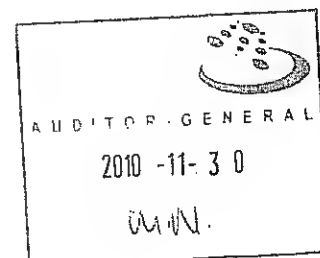
GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008 and therefore not measure servitudes in accordance with the standard. All other intangible assets are measured in accordance with the requirements of the standard.

15 NON-CURRENT INVESTMENTS		
Financial Instruments	3,669,257	3,365,952
Fixed Deposits	3,669,257	3,365,952
Total Non-Current Investments	3,669,257	3,365,952

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest at an average rate of 9.42 % per annum.

Fixed Deposits of R3 669 256.75 (2009: R3 365 952) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 3.



16 LONG-TERM RECEIVABLES

Housing loans to staff

Balance previously reported

Long - Term Receivables - Correction of opening balance - Note 36.16

Car loans

Housing selling scheme loans

Less: Current portion transferred to current receivables

Housing loans to staff

Balance previously reported

Long-Term Receivables - Correction of opening balance - Note 36.17

Car loans

Housing selling scheme loans

Total Long Term Receivables2010
R2009
R

	-	103,113
	-	117,877
	-	(14,764)
	6,095	90,859
	449,731	531,189
	455,826	725,161
	80,651	188,998
	-	22,347
	-	24,407
	-	(2,060)
	6,095	84,764
	74,556	81,887
	375,175	536,163

HOUSING LOANS TO STAFF

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

CAR LOANS

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a motor vehicle. The vehicle must be made available daily by the staff member for his use in the carrying out of his official duties. The repayment period of these loans and the applicable interest rate is a maximum of six years and eight percent per annum, respectively.

17 INVENTORY

Consumable stores - at cost

Water - at provisional amounts

Total Inventory at lower of cost or nett realisable value

2,689,776

3,798,199

2,689,776

3,798,199

Inventory amounting to the value of R 4,601,201.56 (2009: R 8,495,390.23) has been recognised as an expense during the period under review. The amount of write-down of inventories recognised as an expense is R 266,232 (2009: R 48,248).

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 52.2

18 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2010**Service Receivables**

Electricity

Water

Sewerage

Sundries

Refuse Removal

Housing Rentals

TotalGross
BalancesProvision for
Impairment

Nett Balances

36,574,253

19,867,096

16,706,357

8,097,081

2,358,615

5,738,466

8,130,526

4,659,390

3,471,136

9,697,310

6,964,615

2,732,695

5,101,597

1,754,489

3,347,108

5,547,739

4,130,787

1,416,952

1,416,490

731,413

685,077

37,990,743

20,599,309

17,391,434

As at 30 June 2009**Service Receivables**

Electricity - Restated

Water - Restated

Sewerage

Sundries

Refuse Removal

Housing Rentals

Total

31,794,418

17,190,462

14,595,956

5,378,267

3,431,162

1,947,105

7,240,952

4,111,322

3,129,630

8,260,864

4,690,414

3,570,450

5,709,005

2,010,042

3,698,963

5,205,330

2,955,522

2,249,808

806,419

457,671

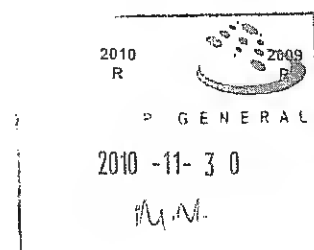
348,748

32,600,037

17,656,133

14,944,704

Included in the outstanding balances are consumer debtors to the value of R 3,652,803.75, who have made arrangements to repay their outstanding debt over a re-negotiated period.

Ageing of Receivables from Exchange Transactions

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(Electricity): Ageing

Current (0 - 30 days)	5,425,155	3,959,577
31 - 60 Days	918,256	280,168
61 - 90 Days	348,856	184,072
+ 90 Days	1,404,815	954,450
Total	8,097,002	5,378,267

(Water): Ageing

Current (0 - 30 days)	2,505,758	2,188,349
31 - 60 Days	625,549	581,659
61 - 90 Days	392,336	324,679
+ 90 Days	4,605,883	4,146,265
Total	8,130,526	7,240,952

(Refuse): Ageing

Current (0 - 30 days)	792,658	825,155
31 - 60 Days	217,550	167,679
61 - 90 Days	186,404	243,036
+ 90 Days	4,351,128	3,969,459
Total	5,547,740	5,205,329

(Sewerage): Ageing

Current (0 - 30 days)	1,619,850	1,301,080
31 - 60 Days	439,777	229,077
61 - 90 Days	380,879	500,132
+ 90 Days	7,256,804	6,230,575
Total	9,697,310	8,260,864

(Housing): Ageing

Current (0 - 30 days)	358,211	58,943
31 - 60 Days	25,374	20,599
61 - 90 Days	25,123	20,727
+ 90 Days	1,007,782	706,149
Total	1,416,490	806,418

(Sundry): Ageing

Current (0 - 30 days)	126,474	655,600
31 - 60 Days	82,299	45,135
61 - 90 Days	86,470	24,550
+ 90 Days	4,806,354	4,983,721
Total	5,101,597	5,709,006

19 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables

Rates	12,746,614	8,778,025
Other Receivables	326,248	397,139
Insurance claims	326,248	397,139

Total Service Receivables

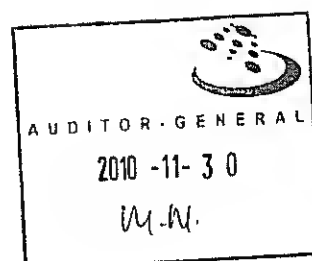
Less: Allowance for Doubtful Debts

Net Service Receivables

Unpaid Government Grants and Subsidies

Total Net Receivables from Non-Exchange Transactions

13,072,862	9,175,164
3,633,410	6,246,789
9,439,452	2,928,375
-	3,602,856
9,439,452	6,531,231



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Ageing of Receivables from Non-Exchange Transactions	2010 R	2009 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	5,060,958	2,805,436
31 - 60 Days	1,060,455	116,395
61 - 90 Days	502,943	98,776
+ 90 Days	6,122,258	5,757,419
Total	12,746,614	8,778,025

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
The ageing of amounts past due but not impaired is as follows:			
2010			
<u>Neither past due nor impaired</u>			
Current (0-30 days)	8,187,067	4,452,517	12,639,684
<u>Past due and not impaired</u>			
1 month past due	1,435,583	889,620	2,325,203
2+ months past due	8,877,477	2,988,524	11,866,001
Total	18,500,127	8,330,761	26,830,888

2009			
<u>Neither past due nor impaired</u>			
Current (0-30 days)	5,688,001	1,931,232	7,619,233
<u>Past due and not impaired</u>			
1 month past due	970,928	99,754	1,070,682
2+ months past due	5,781,673	2,669,125	9,450,798
Total	13,440,602	4,700,111	10,140,713

Trade and other receivables impaired

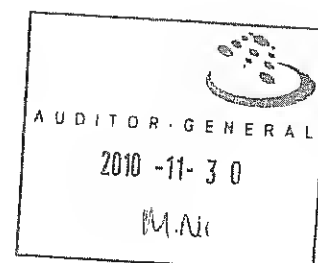
2010	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	20,599,309	3,633,410	24,232,719
2009	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	17,646,113	6,246,808	23,902,921

Debt is required to be settled after 30 days, interest is charged after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

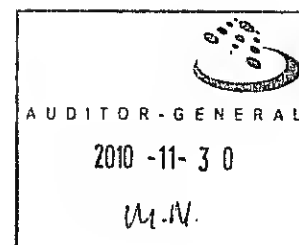
	2010 R	2009 R
Balance at beginning of the year	23,902,921	18,763,020
Contributions to provision	7,570,413	7,745,499
Doubtful debts written off against provision	(7,240,615)	(2,605,598)
Balance at end of year	24,232,719	23,902,921

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
20 OPERATING LEASE ARRANGEMENTS		
20.1 The Municipality as Lessee		
Balance on 1 July	579,178	-
Operating Lease Liability previously not recognised up to 1 July 2008 - Note 35.07	-	529,148
Restated Balance on 1 July	579,178	529,148
Movement during the year	64,332	50,030
Balance previously reported	-	-
Operating Lease Liability movement 08/09 previously not recognised - Note 35.07	-	50,030
Balance on 30 June	643,510	579,178
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Buildings, Vehicles and other equipment	2,009,122	371,511
Up to 1 Year	2,272,539	892,128
1 to 5 Years	1,050,756	1,218,681
More than 5 Years	-	-
Total Operating Lease Arrangements	5,332,417	2,482,320
20.2 The Municipality as Lessor		
Balance on 1 July	15,908	-
Operating Lease Asset for the current year	-	15,908
Movement for the year ended 30 June 2010	(1,115)	-
Balance on 30 June	14,793	15,908
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	35,777	34,055
1 to 5 Years	50,206	85,944
More than 5 Years	87	87
Total Operating Lease Arrangements	86,070	120,086
No restrictions have been imposed on the Municipality in terms of the operating lease agreements.		
21 CASH AND CASH EQUIVALENTS		
Assets		
Bank balances and cash	11,484,822	21,051,550
Cell Investment Deposits	5,108,728	36,772,622
Petty Cash Advances	10,420	9,120
Total Cash and Cash Equivalents - Assets	16,604,070	57,833,292
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The municipality has the following bank accounts:		
Current Accounts		
Current Account (FNB Ordinary Account 533740325)	-	-
Current Account (FNB No.2 - 62023804413)	-	399,343
Current Account (FNB 62004709963)	-	-
Current Account (TMT FNB 62060979964)	106,841	437,286
Current Account (Pay A Bill FNB 62063989720)	-	-
Business Current Account (Standard 082508288-ACB)	-	-
Current Account (Main :Standard bank 082599343)	17,465,800	35,846,426
Current Account (Direct Deposits Standard bank : 282032371)	929,054	447,791
Current Account (ACB Standard bank : 082608288)	430	30,340
Current Account (TMT Standard Bank 082592535)	453,867	-
	18,955,992	37,161,186



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Current Account (FNB Ordinary Account 533740325)		
Bank statement balance at beginning of year	-	13,656,090
Bank statement balance at end of year	-	-
Current Account (FNB No. 2 - 62023804413)		
Bank statement balance at beginning of year	399,343	437,285
Bank statement balance at end of year	-	399,343
Current Account (FNB 62004709963)		
Bank statement balance at beginning of year	-	150,000
Bank statement balance at end of year	-	-
Current Account (TMT FNB 62060979964)		
Bank statement balance at beginning of year	437,286	514,892
Bank statement balance at end of year	106,841	437,286
Current Account (Pay A Bill FNB 62063989720)		
Bank statement balance at beginning of year	-	26,887
Bank statement balance at end of year	-	-
Business Current Account (Standard 082608288-ACB)		
Bank statement balance at beginning of year	-	8,187,912
Bank statement balance at end of year	-	-
Current Account (Main : Standard bank 082599343)		
Bank statement balance at beginning of year	35,846,426	-
Bank statement balance at end of year	17,465,800	35,846,426
Current Account (Direct Deposits Standard bank : 202032371)		
Bank statement balance at beginning of year	447,791	-
Bank statement balance at end of year	929,051	447,791
Current Account (ACB Standard bank : 082608288)		
Bank statement balance at beginning of year	30,340	-
Bank statement balance at end of year	430	30,340
Current Account (TMT Standard Bank 082592535)		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	453,867	-
Summary		
Cash book balance at beginning of year	21,051,550	(381,172)
Cash book balance at end of year	11,484,922	21,051,550
Bank statement balance at beginning of year	37,161,186	22,973,066
Bank statement balance at end of year	18,955,991	37,161,186
Call Investment Deposits		
Call Investment deposits consist out of the following accounts:		
ABSA BANK - Acc.no.20 4897 5233	34,066	28,088
ABSA BANK - Acc no: 20-5009-0176	19,446	16,034
ABSA BANK - Acc no: 20-6622-1129	-	6,574,457
NEDBANK- Acc no: 788-105-2406-7	-	11,086,275
NEDBANK- Acc no: 788-105-2406-000029	-	-
STD BANK - Acc no: 488-607-000-013	5,027,158	-
STD BANK - Acc no: 488-607-000-005	28,057	-
STD BANK - Acc no: 488-607-000-009	-	11,956,568
FIRST NATIONAL BANK - FD 09G-20045	-	13,545
	-	7,097,654
	5,108,727	36,772,622

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn

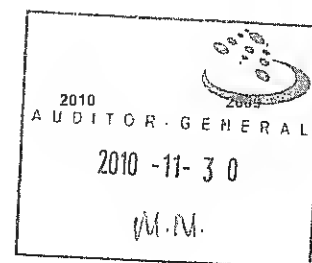
ABSA investment account number 2048975233 has been ceded as collateral for bond number 8043787245 to the amount of R 24 000.

ABSA investment account number 2050090176 has been ceded as collateral for bond number 8044250229 to the amount of R13 700.

Interest on overdrawn current accounts are charged at prime plus one per annum and earn interest at different rates per annum on favorable balances

Management of the municipality has determined that the carrying value of Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Industrial, Rural and Other
Commercial
State

Total Assessment Rates

R	R
57,569,307	50,060,275
50,613,966	43,005,998
6,176,930	6,579,002
778,411	475,275
<u>57,569,307</u>	<u>50,060,275</u>

Valuations - 1 JULY 2009

Rateable Land and Buildings

Residential, Industrial, Rural and Other
Commercial
State

Total Assessment Rates

20,185,202,028	6,424,639,251
18,886,825,978	5,752,811,791
1,155,809,950	613,935,300
142,566,100	57,892,160
<u>20,185,202,028</u>	<u>6,424,639,251</u>

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. a Business will pay 20% more than a household and farms or rural properties will pay 25% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments. Monthly rates are payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

23

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share - Refer to Note 23.01

Conditional Grants

National: FMG
Municipal Infrastructure Grant
Provincial: DPLG Grant
Flood Monies
Provincial: Housing Grant
MPC Kurland
Umsobomvu Youth Fund
Municipal Systems Improvement Grant
National Electrification Programme
Community Development Workers
Library Grant
Neighbourhood Development Grant

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating

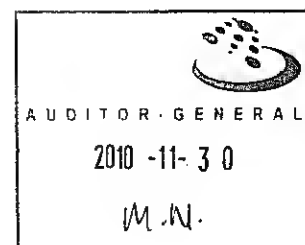
14,308,727	13,176,128
<u>14,308,727</u>	<u>13,176,128</u>
72,406,971	50,117,724
2,750,000	1,862,958
9,630,847	5,880,035
-	283,295
9,559,578	19,537,422
44,591,591	20,737,728
-	-
22,296	227,704
400,000	400,000
3,728,467	929,000
72,000	72,000
184,000	187,582
1,468,192	-
<u>86,715,698</u>	<u>63,293,852</u>
24,387,084	6,707,035
62,328,614	56,586,817
<u>86,715,698</u>	<u>63,293,852</u>

The municipality does not expect any significant changes to the level of grants.

23.01 Equitable share

<u>14,308,727</u>	<u>13,176,128</u>
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The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
23.02 National FMG		
Balance unspent at beginning of year	-	612,958
Current year receipts	2,750,000	1,250,000
Conditions met - transferred to revenue	(2,750,000)	(1,862,958)
Conditions met - balance transferred to current assets	-	-

The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.03 Municipal Infrastructure Grant		
Balance unspent at beginning of year	8,680,000	5,809,035
Current year receipts	10,045,000	8,751,000
Conditions met - transferred to revenue	(9,630,847)	(5,880,035)
Conditions met - balance transferred to current liabilities	9,094,153	8,680,000

The MIG grants are aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld. The project have just commenced.

23.04 Provincial DPLG Grant (Revenue Enhancement)		
Balance unspent at beginning of year	-	283,295
Conditions met - transferred to revenue	-	(283,295)
Conditions met - balance transferred to current liabilities	-	-

The grant was received from the Provincial Department of Local Government and Housing for the implementation of programs to enhance revenue collection. No funds were withheld.

23.05 MIG Flood		
Balance unspent at beginning of year	9,559,578	-
Current year receipts	-	29,097,000
Balance previously reported	-	29,088,818
Correction of Income Incorrectly reported - Note 9	-	8,182
Conditions met - transferred to revenue	(9,559,578)	(19,537,422)
Balance previously reported	-	(1,380,398)
Capital Expenditure previous year - Note 9	-	(18,157,024)
Conditions met - balance transferred to current liabilities	-	9,559,578

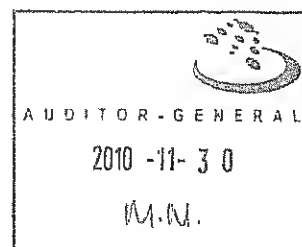
The grant was received from the Provincial Department of Local Government and Housing for the repair of houses and infrastructure damaged during the 2007 floods. No funds were withheld.

23.06 Public Contributions : Developers (Social Responsibility)		
Balance unspent at beginning of year	-	703,762
Current year receipts	-	4,860
Conditions met - transferred to revenue	-	(546,270)
Transferred to Unspent Public Contributions - Note 10	-	162,352
Total	-	(162,352)

The contributions is received from developers to enhance social responsibility in the area.

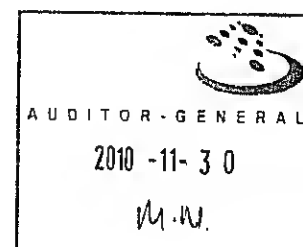
23.07 Umsobomvu Youth Fund		
Balance unspent at beginning of year	22,296	-
Current year receipts	-	250,000
Conditions met - transferred to revenue	(22,296)	(227,704)
Conditions met - balance transferred to current liabilities	-	22,296

The grant was received from the Umsobomvu Youth Fund for the establishment of a youth advisory centre. No funds were withheld. The project is still incomplete.



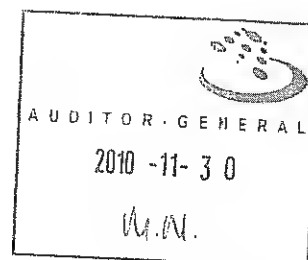
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
23.08 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	400,000	400,000
Conditions met - transferred to revenue	(400,000)	(400,000)
Conditions met - balance transferred to current liabilities	-	-
The grant was received from the National Department of Provincial and Local Government for the improvement of Municipal Systems. No funds were withheld.		
23.09 National Electrification Programme		
Balance unspent at beginning of year	-	129,000
Current year receipts	5,688,000	800,000
Conditions met - transferred to revenue	(3,728,466)	(929,000)
Conditions met - balance transferred to current liabilities	1,959,534	-
The grant was received from the National Department of Minerals and Energy for the electrification of houses. No funds were withheld.		
23.10 Community Development Workers		
Balance unspent at beginning of year	-	-
Current year receipts	72,000	72,000
Conditions met - transferred to revenue	(72,000)	(72,000)
Conditions met - balance transferred to current liabilities	-	-
The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.		
23.11 Library Grant		
Balance unspent at beginning of year	-	-
Current year receipts	184,000	187,582
Conditions met - transferred to revenue	(184,000)	(187,582)
Conditions met - balance transferred to current liabilities	-	-
The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.		
23.12 Spatial Planning		
Balance unspent at beginning of year	84,200	84,200
Conditions still to be met - transferred to liabilities	84,200	84,200
The grant was received from the Provincial Department of Environmental Affairs and Planning for the review of the spatial development framework. No funds were withheld. Projects that relate to Spatial Planning are still incomplete.		
23.13 Revitalise urban areas		
Balance unspent at beginning of year	50,000	50,000
Conditions still to be met - transferred to liabilities	50,000	50,000
The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the revitalisation of urban areas. No funds were withheld. Projects that relate to the above are still incomplete.		
23.14 Socio Economic upgrading informal settlement		
Balance unspent at beginning of year	50,000	50,000
Conditions still to be met - transferred to liabilities	50,000	50,000
The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the socio-economic upgrading of informal settlements. No funds were withheld. Projects that relate to socio economic upgrade of informal settlements are still incomplete.		



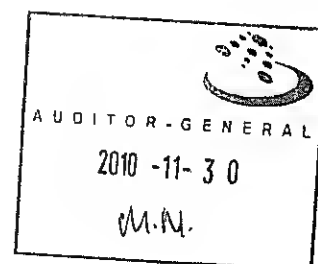
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
23.15 Traffic Disaster		
Balance unspent at beginning of year	782	782
Conditions still to be met - transferred to liabilities	<u>782</u>	<u>782</u>
The grant was received from Provincial Department to assist with Traffic Disasters		
23.16 Provincial Management Support Grant		
Balance unspent at beginning of year	-	-
Current year receipts	324,600	-
Conditions still to be met - transferred to liabilities	<u>324,600</u>	<u>-</u>
The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.		
23.17 MPC Kurland		
Balance unspent at beginning of year	16,818	17,191
Conditions met - transferred to revenue	-	(373)
Conditions still to be met - transferred to liabilities	<u>16,818</u>	<u>16,818</u>
The grant was received from the National Department of Agriculture for an Local Economic Development project. The monies were to be used for a job creation project, specifically for woman. The project is still incomplete		
23.18 Neighbourhood Development Grant		
Balance unspent at beginning of year	-	-
Current year receipts	5,000,000	-
Conditions met - transferred to revenue	(1,468,193)	-
Conditions met - balance transferred to current liabilities	<u>3,531,807</u>	<u>-</u>
The grant was received from National Treasury for the Coming Together Project. The project is still incomplete.		
23.19 Provincial Housing Grant		
Balance unspent/unpaid at beginning of year	(3,602,856)	-
Transferred from Housing Projects - Notes 23.20 23.21 23.22 23.23 23.24	-	(3,602,856)
Current year receipts	55,617,570	-
Conditions met - transferred to revenue	(44,591,591)	-
Conditions met - balance transferred to current liabilities/assets	<u>7,423,123</u>	<u>(3,602,856)</u>
The grant was received from the Provincial Department of Local Government and Housing for the provision of houses . No funds were withheld.		
23.20 Emergency Housing		
Balance unspent at beginning of year	-	8,542,504
Conditions met - transferred to revenue	-	(5,618,901)
Conditions still to be met - transferred to liabilities	-	2,923,603
Less: Transferred to Provincial Housing Grant - Note 23.19	-	(2,923,603)
Total	<u>-</u>	<u>-</u>
The grant was received from the Provincial Department of Local Government and Housing for the provision of houses . No funds were withheld.		
23.21 Kwano Housing Phase 4		
Balance unspent at beginning of year	-	(469,863)
Current year receipts	-	13,073,169
Conditions met - transferred to revenue	-	(8,159,580)
Conditions still to be met - transferred to liabilities	-	4,443,726
Less: Transferred to Provincial Housing Grant - Note 23.19	-	(4,443,726)
Total	<u>-</u>	<u>-</u>
The grant was received from the Provincial Department of Local Government and Housing for the provision of houses . No funds were withheld.		



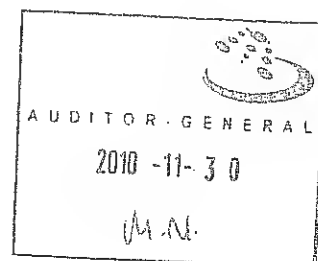
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
23.22 Kurland Project Link Subsidy Project		
Balance unspent at beginning of year	-	(712,880)
Current year receipts	-	22,282
Conditions met - transferred to revenue	-	(258,802)
Conditions still to be met - transferred to assets	-	(949,400)
Less: Transferred to Provincial Housing Grant - Note 23.19	-	949,400
Total	-	-
The grant was received from the Provincial Department of Local Government and Housing for the provision of houses . No funds were withheld.		
23.23 Qolweni /Bosslesig Housing Development		
Balance unspent at beginning of year	-	2,631,994
Current year receipts	-	5,281,481
Conditions met - transferred to revenue	-	(17,297,364)
Conditions still to be met - transferred to assets	-	(9,383,889)
Less: Transferred to Provincial Housing Grant - Note 23.19	-	9,383,889
Total	-	-
The grant was received from the Provincial Department of Local Government and Housing for the provision of houses . No funds were withheld.		
23.24 Kranshoek Project Link Subsidy Housing		
Balance unspent at beginning of year	-	(664,315)
Current year receipts	-	59,990
Conditions met - transferred to revenue	-	(32,571)
Conditions still to be met - transferred to assets	-	(636,896)
Less: Transferred to Provincial Housing Grant - Note 23.19	-	636,896
Total	-	-
The grant was received from the Provincial Department of Local Government and Housing for the provision of houses . No funds were withheld.		
24 OTHER OPERATING GRANT EXPENDITURE	24,612,902	31,572,931
Other operating Grant expenditure relates to Grant Expenditure on Provincial Housing, Financial Management grant, Community Development workers grant, Municipal Systems Improvement Grant , Library Grant and Umsobumvu Youth Fund Grant. These grants are of an operating nature as the expenditure relates to Top structures of Houses, appointment of Financial Interns,temporary staff at the libraries, assistance with the expenditure of COW's and improvements on the Municipal financial system.		
25 PUBLIC CONTRIBUTIONS AND DONATIONS		
Augmentation Fees : Electricity	366,172	226,056
Augmentation Fees : Sewerage	367,596	423,199
Augmentation Fees : Water	1,696,203	1,128,803
Donated Land	9,061,745	-
Social Responsibility	162,352	546,270
Balance Previously Reported	-	-
Transferred from Government Grants and Subsidies - Note 23.06	-	546,270
Total	11,654,068	2,324,328
The use of the donated land is restricted to commonage only.		
26 SERVICE CHARGES		
Electricity - Restated 2009	110,871,287	102,802,848
Water - Restated 2009	62,776,679	50,045,894
Refuse removal	23,333,724	22,721,011
Sewerage and Sanitation Charges	10,927,007	10,055,115
	21,833,877	19,980,828
Less: Rebates	3,321,726	2,816,640
Total Service Charges	115,549,561	99,986,208
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27 OTHER INCOME		
Fuel Sales	781,184	1,655,447
Landing Fees	39,343	76,597
Building Plan fees	1,389,518	1,429,572
Boat Launching Fees	368,303	30,505
List of building plans	8,129	32,245
Sale of wheefie bins	28,384	38,303
Fire fighting fees	68,941	47,587
Cemetary fees	40,762	41,886
Conservancy charges	705,015	593,815
Connection fees	399,015	452,468
Service connections	69,847	105,750
Re- / disconnection	200,235	83,374
Sundry Income	2,654,828	2,215,405
Total Other Income	6,753,504	6,802,955
28 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	50,173,127	42,507,275
Employee related costs - Contributions for UIF and pensions	9,314,936	6,596,188
Bonuses: 13th Cheque	3,927,874	3,455,319
Overtime Payments	4,207,101	3,640,095
Standby Allowance	800,048	563,497
Travel, motor car, accommodation, subsistence and other allowances	5,777,030	4,855,974
Housing benefits and allowances	603,796	690,233
Medical Aid Contribution	5,599,156	5,139,013
Group Life Insurance	1,573,103	1,238,953
Contribution to Leave Gratuity	2,083,514	1,515,003
Contribution to provision for post-retirement medical aid benefits	3,431,621	3,548,004
Contribution to long-service provision	313,883	539,356
Contribution to provision - Task - Note 7	938,805	-
Total Employee Related Costs	89,743,994	74,288,920
KEY MANAGEMENT PERSONNEL		
The Municipal Manager, Chief Financial Officer, Director Corporate Services, Director Strategic Services, Director Municipal Services and Infrastructure Development and Director: Community Services is appointed on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	899,243	817,234
Performance Bonuses	100,530	-
Travelling Allowance	144,000	144,000
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	31,422	26,066
Total	1,193,195	1,005,300
<i>Remuneration of the Director Municipal Services and Infrastructure Development</i>		
Annual Remuneration	628,048	171,835
Performance Bonuses	28,484	-
Travelling Allowance	265,420	69,736
Telephone Allowance	18,000	6,000
Contributions to UIF, Medical and Pension Funds	-	37,264
Total	959,952	284,835
<i>Remuneration of the Director Corporate Services</i>		
Annual Remuneration	777,713	273,308
Performance Bonuses	85,451	-
Travelling Allowance	100,000	530,699
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	35,755	32,498
Total	1,016,919	854,505



BITOU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Remuneration of the Chief Financial Officer		
Annual Remuneration	833,652	753,231
Performance Bonuses	90,477	-
Travelling Allowance	132,000	132,000
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	1,547	1,539
Acting Allowance Paid	-	6,263
Total	1,075,676	911,033
Remuneration of the Director: Strategic Services		
Annual Remuneration	561,600	214,000
Performance Bonuses	85,451	-
Travelling Allowance	249,235	102,883
Telephone Allowance	18,000	5,000
Contributions to UIF, Medical and Pension Funds	102,632	33,161
Total	1,016,918	355,044
Remuneration of the Director: Community Services		
Annual Remuneration	738,045	884,953
Performance Bonuses	85,451	-
Travelling Allowance	144,000	144,000
Telephone Allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	31,422	27,552
Acting Allowance Paid	-	8,378
Total	1,016,918	862,883
29 REMUNERATION OF COUNCILLORS		
Executive Mayor	519,681	517,586
Deputy Executive Mayor	415,744	404,530
Speaker	415,744	404,530
Mayoral Committee Members	389,760	380,248
Councillors	1,091,321	784,948
Councillors- other allowances	160,224	304,561
Total Councillors' Remuneration	2,892,474	2,778,599
In-kind Benefits		
The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.		
Certification by the Municipal Manager		
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs's determination in accordance with this Act		
30 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 18	5,816,051	2,761,661
Trade Receivables from non-exchange transactions - Note 18	1,954,363	4,983,838
Total Contribution to Impairment Provision	7,670,413	7,745,499
31 INVENTORY IMPAIRMENT		
Inventory	286,232	48,248
	286,232	48,248
32 FINANCE CHARGES		
Long-term Liabilities	6,988,746	3,545,055
Finance leases	65,411	50,244
Hire Purchase	13,182	32,304
Landfill Site - restated 2009	711,570	646,882
Total finance charges	7,778,909	4,274,485
33 BULK PURCHASES		
Electricity	40,843,872	30,254,422
Total Bulk Purchases	40,843,872	30,254,422

AUDITOR GENERAL

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
34 GENERAL EXPENSES		
Advertising	632,912	948,553
Hire & Maintenance	2,509,498	2,463,006
Hire of Vehicles	2,280,287	1,548,300
Local Economic Development	695,773	503,366
I T Support	2,640,793	1,436,487
Insurance	1,272,047	1,310,790
Materials and Stores	937,366	750,076
Printing and Stationary	700,073	802,413
Audit Fees	1,234,730	1,100,630
Rent: Other	486,166	441,130
Events & Festivals	474,203	2,186,116
Disaster Relief	3,074,243	503,029
Congresses and Seminars	1,578,337	1,356,490
Third Party Payments	116,691	694,557
Security	1,955,968	1,205,287
Emergency VIP Protection	486,370	1,344,935
Telecommunication	1,463,165	1,223,960
Training	840,507	715,167
Valuation Expense	1,600,498	1,362,562
Legal Expenses	2,978,535	3,576,937
Performance Management	-	629,827
Fuel Purchases	617,671	1,711,053
Electricity Supply	1,668,570	1,653,241
General Cleanup	1,490,666	1,329,863
World Cup 2010	1,909,787	743,564
Vehicle Operating Cost	3,245,272	2,730,461
Chemicals	1,035,866	1,537,298
Other	16,678,816	13,901,088
General Expenses - Restated 2009	54,604,030	49,710,186

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

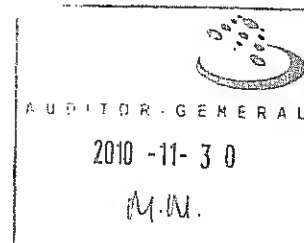
35 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3	2009 R
The municipality changed the accounting policy in order to provide for unidentified deposits to be recognised as revenue after a period of 1 year. See Accounting Policy Note 1.19.2. Previously all unidentified deposits were classified as other payables. The change was made to the policy as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months.	
35.01 Trade and other payables	
Balance previously reported:	20,407,048
Unclaimed money transferred to Accumulated Surplus - Note 8 and Note 35.01	(201,884)
Accounting for Unclaimed money 2008 /2009 - Note 8 and Note 35.01	(375,150)
Total	19,830,014
35.02 Accumulated Surplus/(Deficit)	
Movements on Accumulated Surplus recorded as they are required by GRAP.	
Unclaimed money transferred to Accumulated Surplus - Note 8 and Note 35.01	201,884
Total	201,884
35.03 Changes to Statement of Financial Performance	
Movements on Operating account recorded as they are required by GRAP.	
Accounting for Unclaimed money 2008 /2009 - Note 35.01	375,150
Total	375,150

36 CORRECTION OF ERROR IN TERMS OF GRAP 3**36.01 Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities"**

The municipality is in the process of applying the GRAP measurement criteria as allowed by Directive 4 resulting in prior period adjustments to the following items:

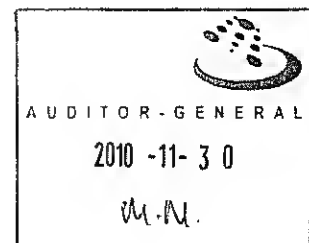
GRAP 17 – Property, Plant and Equipment
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
 GRAP 102 – Intangible Assets

In previous years the measurement exemptions included in Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board were applied.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009 R
36.02 Non-current Provisions	
Balance previously reported	-
First Time recognition of Alien Vegetation Provision - Note 5 and Note 36.08	266,853
Alien Vegetation Contribution previously not recognised - Note 5 and Note 36.08	249,485
Alien Vegetation Expenditure previously not recognised - Note 5 and Note 36.08	(219,835)
First time recognition of Landfill Site Provision - Note 5 and Note 36.03	6,468,820
First time recognition of Landfill Site Provision prior year contribution - Note 5 and Note 36.03	646,882
Total	7,412,205
36.03 Property, Plant and Equipment	
Balance previously reported	220,210,597
First time recognition of Landfill Site Asset - Note 36.02 and Note 36.03	3,238,564
Reversal of previous expenditure incurred on landfill site	(2,169,589)
Reversal of previous expenditure incurred on landfill site	(125,643)
Reversal of previous year expenditure incurred on landfill site	(293,750)
Recognition of prior year landfill site depreciation	(1,992,280)
Recognition of 08/09 landfill site depreciation - over recognised	(209,094)
First time recognition of Finance Lease asset previously not recognised - Note 12	196,570
Recognition of prior year finance lease asset depreciation previously not recognised - Note 12	13,678
Parks Cost Derecognition Reversal due to unbundling - Note 12	3,107,824
Parks Accumulated Depreciation Reversal due to unbundling - Note 36.08	(2,209,912)
Recreation Grounds Derecognition reversal Cost due to unbundling - Note 36.08	7,459,272
Recreation Grounds Derecognition reversal of Accumulated Depreciation due to unbundling - Note 36.08	(5,253,959)
Transfer of PPE to Investment Property - Note 36.04	(2,154,980)
Derecognition of Accumulated Depreciation charged on investment Property - Note 36.04	854,984
Depreciation recalculation on Community Assets due to Unbundling - Note 36.08	784,739
Recalculation on Infrastructure Assets Accumulated Depreciation due to Unbundling - Note 36.08	(4,402,892)
Depreciation overcharged on Infrastructure Assets due to Incorrect Estimated Useful lives - Note 36.08	1,148,460
Total	218,302,589
36.04 Investment Property	
Balance previously reported	-
Transferred from PPE - Note 36.03	2,154,980
Derecognition of Accumulated Depreciation charged on Investment Property - Note 13 and Note 36.08	(954,984)
Total	1,199,996
36.05 Long Term Liabilities	
Balance previously reported	62,785,032
Finance leases previously not recognised - Note 36.05 and Note 3	183,857
Current portion of Finance leases previously not recognised - Note 36.06 and Note 3	5,755
Total	62,974,644
36.06 Current Portion of Long Term Liabilities	
Balance previously reported	4,003,935
Current portion of Finance leases previously not recognised - Note 36.05 and Note 3	(5,755)
Total	3,998,180
36.07 Operating Lease Liability	
Balance previously reported	-
Operating Lease Liability previously not recognised up to 1 July 2008 - Note 20.1	529,148
Operating Lease Liability movement 08/09 previously not recognised - Note 20.1	50,030
Total	579,178



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36.08	Accumulated Surplus/(Deficit)	2009 R
	Balance previously reported	134,339,449
		515,461
	Operating Lease Liability previously not recognised up to 1 July 2009 - Note 36.07	(529,148)
	Long Term Receivables Correction of error: Opening balance - Note 36.16 and Note 16	(13,723)
	First Time recognition of Alien Vegetation Provision - Note 36.02 and Note 36.03	(266,853)
	First time recognition of Landfill Site Asset- Note 36.02	(7,517,769)
	Correction of electricity levy 2007/ 2008 - Note 36.13	(347,514)
	Correction of Water levy 2007/ 2008 - Note 36.13	(1,617,735)
	Correction of Incorrect Electricity levy 1 July 2008 - Note 36.03	(289,022)
	Recognition of prior year finance lease asset depreciation previously not recognised - Note 36.03	13,678
	Parks Cost Derecognition Reversal due to unbundling - Note 12	3,107,824
	Parks Derecognition Accumulated Depreciation Reversal due to unbundling - Note 12	(2,137,933)
	Recreation Grounds Cost Derecognition reversal due to Unbundling - Note 36.03	7,459,272
	Recreation Grounds Accumulated Depreciation Derecognition reversal due to Unbundling - Note 36.03	(1,880,996)
	Depreciation Recalculation on Community Assets due to Unbundling - Note 36.03	206,703
	First time recognition of Depreciation on Investment Property - Note 13	(954,984)
	Derecognition of Accumulated Depreciation charged on Investment Property - Note 36.03	916,785
	Depreciation recalculation on Infrastructure Assets due to Unbundling - Note 36.03	(4,402,892)
	Correction of Capital Expenditure on Flood Grant - Note 9	10,621,308
	Depreciation overcharged on Infrastructure Assets due to incorrect Estimated Useful lives - Note 36.03	1,148,460
	Total	134,854,910

36.09 Statement of financial performance

Balance previously reported	6,132,810
Operating Lease Liability movement 08/09 previously not recognised - Note 36.07	(50,030)
Finance lease 08/09 movement previously not recognised - Note 3	12,713
Long Term Receivables interest incorrectly calculated - Note 36.16	(1,041)
Alien Vegetation Contribution previously not recognised - Note 36.02	(249,485)
Alien Vegetation Expenditure previously not recognised - Note 36.02	219,835
Recognition of Unamortised discount of landfill site provision - Note 36.02	(646,882)
Correction of VAT opening balance previously reported - Note 36.15	(2,043,614)
Contribution to Landfill Site - Note 36.03	(293,750)
Depreciation on landfill site recognised - Note 36.13	(209,094)
Transfer of Government Grant Revenue to Public Contributions Revenue - Note 24	(546,270)
Transfer from Government Grant Revenue to Public Contributions Revenue - Note 23.06	546,270
Correction of Electricity levy 2008 /2009 - Note 36.13	347,514
Correction of water levy 2008 /2009 - Note 36.14	1,617,735
Correction of Incorrect Electricity levy 08/09 - Note 36.13	(375,752)
Derecognition of Accumulated Depreciation charged on Investment Property - Note 36.03 and Note 36.04	38,199
Reversal of Intangible asset Accumulated Amortisation Cost - Note 12 and 36.14	136,483
Correction of PPE Land and Buildings Depreciation 08 /09 due to unbundling - Note 36.03	(71,979)
Recreation Grounds Accumulated Depreciation Derecognition reversal due to Unbundling - Note 36.03	(372,963)
Depreciation Recalculation on Community Assets due to Unbundling - Note 36.03	578,036
Correction of Unspent Flood Grant Capital Expenditure - Note 9	7,535,718
Correction of Unspent flood Grant Income - Note 9	(8,182)
Total	12,296,269

36.10 Unspent conditional grants and receipts

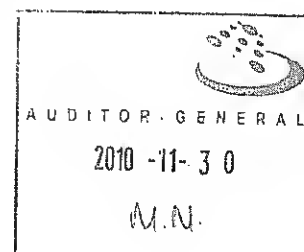
Balance previously reported	44,142,197
Transferred to Unpaid Conditional Grant - Provincial Housing Grant - Note 9	(7,367,329)
Transferred to Unspent Public Contributions - Note 10	(162,352)
Correction of Capital Expenditure on Flood Money - Note 9	(18,157,024)
Correction of Flood Money Income Received - Note 9	8,182
Total	18,463,674

an Amount of R 29 million was received from National Treasury with regards to flood damage. R27 million was disclosed as unspent in the 2008 /09 financial year. This was incorrect as the funds was already spent in the previous financial years.

36.11 Unpaid conditional grants and receipts

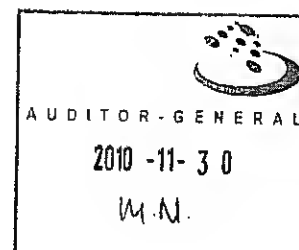
Balance previously reported	10,970,185
Transferred from Unspent conditional Grants - Provincial Housing Grant - Note 9	(7,367,329)
Total	3,602,856

The Grant received from the Department of housing was previously reported per project. The reporting changed from per project to the total grant as all projects are financed from one grant. This resulted in a reduction of the unpaid grant when adding all the projects together.



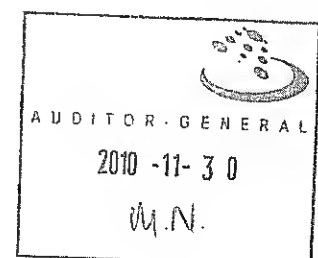
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009 R
36.12 Unspent Public Contributions	
Balance previously reported	-
Transferred from Unspent Conditional Grants - Note 36.1	162,352
Total	162,352
Unspent Public contributions was previously reported as part of Unspent Conditional Grants. This should have been reported separately as unspent public contributions.	
36.13 Trade and Other Receivables from exchange transactions	
Balance previously reported	31,096,738
Correction of Incorrect Electricity levy 1 July 2008 - Note 18 and Note 35.08	(289,022)
Correction of Incorrect Electricity levy 08/09 - Note 18 and Note 35.09	(375,752)
Total	30,431,964
an Incorrect electricity levy occurred at one of the developments. This was corrected and the development was reimbursed. A correction of Trade and Other receivables from exchange transactions had to be done to correctly reflect the balances in prior years.	
36.14 Intangible Assets	
Balance previously reported	3,511,810
Reversal of Accumulated Amortisation cost charged on Intangible Assets - Note - 14	136,483
Total	3,648,293
Depreciation was charged on Intangible assets that was still work in progress. This needs to be reversed as depreciation can only be charged on completed assets.	
36.15 Taxes	
Balance previously reported	9,203,787
Correction of opening balance previously reported - Note 11	(2,043,614)
Total	7,160,173
The Vat receivable as reported in the 2008/09 financial year was provided for incorrectly. A correction is needed to correctly reflect the balance in the prior year.	
36.16 Long Term Receivables	
Balance previously reported	548,867
Correction of Long Term Receivable Opening Balance - Note 16 and Note 36.08	(14,764)
Correction of Current portion of Long Term Receivables - Note 16	2,060
Total	536,163
An error occurred in the calculation on the outstanding balance of the long term receivables. The redemption payment was erroneously calculated which lead to an overstatement of long term receivables. The prior year figures were corrected to reflect the correct amounts outstanding.	
36.17 Current Portion of Long Term Receivables	
Balance previously reported	24,407
Correction of Current portion of Long Term Receivables - Note 16	(2,060)
Total	22,347
An error occurred in the calculation on the outstanding balance of the long term receivables. The redemption payment was erroneously calculated which lead to the incorrect calculation of the current portion of the long term receivables. The prior year figures were corrected to reflect the correct amounts outstanding.	



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

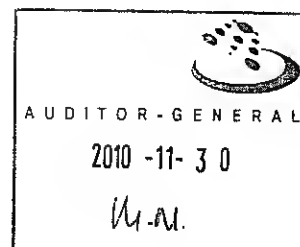
	2010 R	2009 R
37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	29,703,930	12,671,417
Adjustments for:		
Depreciation	10,744,555	13,557,357
Amortisation of Intangible Assets	46,492	41,549
Gain on disposal of property, plant and equipment	(320,534)	(656,147)
Contribution from/to employee benefits - non-current	4,694,540	4,831,854
Contribution from/to employee benefits - non-current - expenditure incurred	(952,973)	(744,495)
Contribution from/to employee benefits - non-current - actuarial gains	(3,998,188)	(2,069,600)
Contribution to employee benefits - current	8,393,871	2,846,277
Contribution to employee benefits - current - expenditure incurred	(3,936,280)	(679,948)
Contribution to provisions - non-current	1,048,863	896,367
Contribution to provisions - non-current - expenditure incurred	(304,349)	(219,835)
Contribution to provisions - bad debt	7,570,413	7,745,499
Land donation	(9,061,745)	-
Debt Impairment written off	(7,240,615)	(2,605,598)
Operating lease income accrued	1,115	(1,509)
Operating lease expenses accrued	64,332	-
Interest income	(3,916,959)	(6,613,617)
Interest expense	7,776,908	4,274,484
Operating Surplus before changes in working capital	40,313,377	33,274,055
Changes in working capital	6,667,822	2,704,279
Increase/(Decrease) in Trade and Other Payables	16,392,716	6,820,000
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	4,071,343	10,170,260
Increase/(Decrease) in Unspent Public Contributions Grants and Receipts	(162,352)	-
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	3,602,856	(1,755,798)
Increase/(Decrease) in Taxes	(9,057,549)	(3,699,375)
(Increase)/Decrease in Inventory	1,108,423	1,638,370
(Increase)/Decrease in Trade Receivables from exchange transactions	(5,389,917)	(10,637,011)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(3,897,698)	167,833
Cash generated by operations	46,981,199	35,978,334
38 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 21	11,484,922	21,051,550
Cash Floats - Note 21	10,420	9,120
Bank - Note 21	5,108,728	36,772,822
Total cash and cash equivalents	16,604,070	57,833,282
39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 38	16,604,070	57,833,292
Investments - Note 15	3,669,257	3,365,952
Less:	20,273,327	61,199,244
Unspent Committed Conditional Grants - Note 9	26,204,274	18,389,122
Unspent Public Contribution - Note 10	22,535,017	14,860,818
Secured Investments	-	162,352
Net cash resources available for internal distribution	3,669,257	3,365,952
Allocated to:	(5,930,947)	42,810,122
Capital Replacement Reserve	1,060,218	1,046,719
Resources available for working capital requirements	(6,991,165)	41,763,403
40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	90,008,672	66,972,823
Used to finance property, plant and equipment - at cost	(90,008,672)	(66,972,823)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	(3,669,257)	(3,365,952)
Cash invested for repayment of long-term liabilities	(3,669,257)	(3,365,952)
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.21 % and 17.82 % and will be repaid by 2028		



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

41 BUDGET COMPARISONS

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
41.1 Operational				
Revenue by source				
Property Rates	57,569,307	55,000,000	2,569,307	5%
Government Grants and Subsidies - Capital	24,387,084	47,076,420	(22,689,336)	-48%
Government Grants and Subsidies - Operating	62,328,614	70,190,096	(7,861,482)	-11%
Public Contributions and Donations	11,654,068	1,882,352	9,771,716	519%
Fines	5,411,813	5,005,665	406,148	8%
Third Party Payments	45,402	-	45,402	100%
Property Rates - penalties imposed and collection charges	2,332,064	2,000,000	332,064	17%
Service Charges	115,549,561	121,508,457	(5,958,896)	-5%
Rental of Facilities and Equipment	1,415,204	963,816	451,388	47%
Interest Earned - external investments	3,916,959	5,500,000	(1,583,041)	-29%
Licences and Permits	27,376	17,000	10,376	61%
Other Revenue	6,753,504	9,472,465	(2,718,961)	-29%
	<u>291,390,957</u>	<u>318,616,271</u>	<u>(27,225,313)</u>	<u>-8.5%</u>
Expenditure by nature				
Employee Related Costs	(89,743,994)	(81,868,254)	(7,875,740)	10%
Remuneration of Councillors	(2,992,474)	(3,127,207)	134,733	-4%
Collection Cost	(892,465)	(950,000)	57,535	-6%
Debt Impairment	(7,570,413)	(5,000,000)	(2,570,413)	51%
Depreciation and Amortisation	(10,791,047)	(20,303,382)	9,512,335	-47%
Repairs and Maintenance	(16,749,985)	(13,765,050)	(2,983,935)	22%
Finance Charges	(7,776,908)	(7,941,366)	164,458	-2%
Bulk Purchases	(40,643,872)	(40,140,000)	(503,872)	1%
Contracted services	(9,340,626)	(7,906,000)	(1,434,626)	18%
Operating Grant Expenditure	(24,612,902)	(26,224,144)	1,611,242	-6%
General Expenses	(54,604,830)	(52,402,753)	(2,202,077)	4%
	<u>(266,005,750)</u>	<u>(259,629,156)</u>	<u>(6,376,593)</u>	<u>2.5%</u>
Other Gains/Losses				
Loss on Disposal of PPE	-	-	-	0%
Gains on Disposal of PPE	320,534	1,500,000	(1,179,466)	-79%
Actuarial Gains	3,998,188	-	3,998,188	100%
	<u>4,318,722</u>	<u>1,500,000</u>	<u>2,818,722</u>	<u>188%</u>
Net Surplus for the year	<u>29,783,929</u>	<u>60,487,115</u>	<u>(30,783,184)</u>	<u>-50.9%</u>
Capital Expenditure				
	R (Actual)	R (Budget)	R (Variance)	(%)
Executive & Council	297,675	744,000	(446,325)	-60%
Budget & Treasury	10,103,810	15,124,740	(5,020,930)	-33%
Planning & Development	1,571,293	5,133,000	(3,561,707)	-69%
Community & Social Services	4,142,585	8,036,500	(3,893,915)	-48%
Housing	27,430,552	31,150,000	(3,719,448)	-12%
Public Safety	1,440,542	1,462,830	(22,288)	-2%
Sport & Recreation	1,278,057	1,028,500	249,557	24%
Waste Management	78,932	101,167	(22,235)	-22%
Waste Water Management	4,191,019	3,553,347	637,672	18%
Road Transport	20,075,260	20,282,127	(206,867)	-1%
Water	15,403,063	15,502,653	(99,590)	-1%
Electricity	21,537,866	27,348,000	(5,810,134)	-21%
Other	224,471	265,000	(40,529)	-15%
	<u>107,775,125</u>	<u>129,731,864</u>	<u>-21,956,739</u>	<u>-17%</u>
Total				



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2010
R

2009
R

42.1

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

Unauthorised expenditure current year - capital

Unauthorised expenditure current year - operating

Approved by Council or condoned

Unauthorised expenditure awaiting authorisation

887,229

16,719,884

8,922,601

(16,719,884)

9,809,830

Incident

Disciplinary steps/criminal proceedings

The approved Operating and Capital budget was exceeded in the following instances

Executive and Council

5,331,101

Over expenditure due to provision for Task Implementation, - Shortfall on Cape Joint Pension Fund, Provision for Leave - Implementation of IAS 19

Budget and Treasury

751,884

Insufficient budget for implementation of Municipal Property Rates Act

Public Safety

469,118

Increased cost to implement speed law enforcement

Other

522,004

Tourism: Increase in marketing activities

Sport and Recreation

1,098,051

Increased personnel expenditure due to seasonal workers and increased maintenance of Parks

Waste Water Management

637,672

Escalation of cost on sewer projects

42.2

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance

Fruitless and wasteful expenditure current year

Condoned or written off by Council

Fruitless and wasteful expenditure awaiting condonement

2010
R

2009
R

-

4,460,658

(4,460,658)

1,490,971

Incident

Disciplinary steps/criminal proceedings

Interest paid on late payment (Eskom) R 13,343

None

Water losses R 1,477, 628

None

42.3

Irregular expenditure

Reconciliation of Irregular expenditure:

Opening balance

Irregular expenditure current year

Irregular expenditure awaiting condonement

-

18,973,556

18,973,556

Incident

Disciplinary steps/criminal proceedings

Non-compliance with Supply Chain Management Policy

None

42.4

Material Losses

Electricity distribution losses

Kwh Purchased

Kwh Sold

Kwh Losses

Kwh cost

% Losses

Amount of loss considered fruitless expenditure above a norm of average 10%

Water distribution losses

Units Purified

Kl Sold

Kl Lost

Kl cost

% Losses

Amount of loss considered fruitless expenditure above a norm of average 10%

101,547,925

91,808,781

9,739,144

0.49

9.59%

-

105,762,183

91,762,613

13,999,570

0.38

13.24%

1,299,002

2,835,490

1,821,105

1,014,385

2.02

35.77%

1,477,628

3,366,312

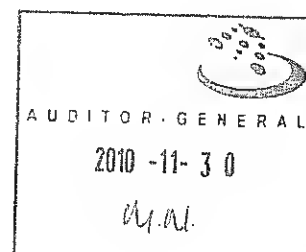
2,139,932

1,226,380

3.55

36.43%

3,158,609



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

43.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	398,598	270,792
Amount paid - current year	(398,598)	(270,792)
Balance unpaid (Included in creditors)	-	-

43.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year audit fee	1,553,325	1,100,630
External Audit - Auditor-General	1,553,325	1,100,630
Amount paid - current year	(1,553,325)	(1,100,630)
Balance unpaid (Included in creditors)	-	-

43.3 VAT - [MFMA 125 (1)(b)]

VAT	(16,217,722)	(7,160,173)
-----	--------------	-------------

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

43.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

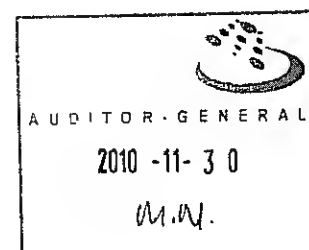
Opening balance	4,600	-
Current year payroll deductions and Council Contributions	8,963,951	7,847,600
Amount paid - current year	(8,968,551)	(7,843,000)
Balance unpaid (Included in creditors)	-	4,600

43.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	14,000,500	8,978,896
Amount paid - current year	(14,000,500)	(8,978,896)
Balance unpaid (Included in creditors)	-	-

43.6 Councilors's arrear consumer accounts - [MFMA 125 (1)(b)]

No Councilors had arrear consumer accounts for more than 90 days during the financial year

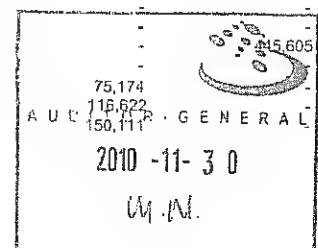


NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

43.7 Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Between R2,000 and R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000
Mushandi Trust T/A	2,572	-	-
African Spirit	12,540	-	-
Combined Systems (PTY)	-	41,587	-
Mallijume Construction	-	113,750	-
Somawonga Construction	-	60,000	-
Price Water House Coopers	-	37,378	-
Digiking Africa cc	-	122,000	-
Rogers Glazing and Aluminium	-	97,113	-
Pick n Pay	-	34,000	-
Electrical Supply Company	-	31,349	-
ENT Gear Trading	-	33,045	-
Ponoso Actuarial Consultants	-	108,072	-
Dr S Moon	-	134,491	-
Spring Forest Trading	-	63,000	-
SJ McMillan	-	37,579	-
Various Constructors	-	-	1,380,610
Proline Construction	-	47,944	-
Majestic Silver Trading	-	148,157	-
CSKD Trading Enterprise	-	39,900	-
Décor Magic	-	31,500	-
Kholwani Landscaping	-	142,799	-
Sleyn's Drilling	-	-	235,973
SOS Transport	-	179,721	-
On Show Solutions	-	48,756	-
Kitchen Café	-	96,900	-
JOAT Group	-	199,956	-
De Swan Vogel Mahl	-	-	265,287
Sizila Constructions	3,163	-	-
Intellect Business	10,000	-	-
Vollex	5,543	-	-
Masons Marketing	2,845	-	-
Penninsula Hotel	2,920	-	-
Kholwani Investments	-	38,955	-
Balamezi (PTY)(LTD)	-	37,995	-
AWA Engineering	-	31,361	-
Tyres and Treads CC	-	46,506	-
Actom Electrical	-	122,658	932,435
RBS Computers	21,388	-	-
George Lawnmowers	17,162	-	-
Alfco	23,968	122,895	-
Wilwes Swyswarke	12,500	-	-
Tryponza Trading	15,379	-	-
John's Maintenance	10,980	-	-
MDL Electrical	-	-	542,849
Active Phamble	-	-	2,681,753
Robcon Civils	-	1,631,676	3,175,949
Ukhana Projects	-	166,127	1,425,002
TMT Services	-	-	630,232
AGMS Civils	-	-	273,964
SSI Engineers	-	-	1,751,127
RK Sauer Constructions	-	-	473,755
Civils 2000	-	-	634,582
New Morning Construction	-	231,310	-
Avis Fleet Services	-	180,145	-
New Heights	-	77,634	-
Autumn Skies	-	200,553	-
VE Reticulation	-	161,595	-
New Debi	-	110,741	-
Tribal Zone Trading	-	119,673	-
Loyiso Civil Construction	-	52,967	-
Manual Maintenance	41,495	-	-
Hourglass Catering	13,500	-	-
TNE Development	27,700	-	-
Silver Solutions	13,000	-	-
Nigels Maintenance	3,380	-	-
MD Ventures (PTY) LTD	2,050	-	-
MW Bollani	15,750	-	-
Esau Panelbeaters	4,964	-	-
Rasta & Mavusi Constructions	2,989	-	-
Marita Self Catering	8,400	-	-
Southern Cape Copiers	8,970	-	-
Cylinder Head Technicians	2,860	-	-
Sleynr Hygiene Services	12,501	-	-
Ikamva Lethu Training	19,800	-	-
JCE Installations	18,231	-	-
Victory Ticket 887 CC	17,515	-	455,625
Beacon Survey	13,680	109,944	-
Tuinroele Agri	35,007	-	-
Manta Marine	18,188	-	-
Wills University	25,000	-	-
Rural Metro Emergency	10,500	-	-
Ukuqonoa Construction	9,900	-	-
Dimapa Programme Management	-	-	415,605
Bayazenzela Trading and Property	22,750	-	-
Barrie's Engine Re-builds	-	75,174	-
Sea View Plant Hire and Civils	2,462	116,622	-
Pennypinchers	-	150,111	-



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Exel Com	-	-	551,151
Inyameko Trading 103	-	64,600	-
Lefatshe Technologies	-	-	274,694
Uhambiso Consult (Pty) Ltd	-	-	302,418
Elvis Construction	35,000	51,025	-
	<u>526,551</u>	<u>5,749,265</u>	<u>16,433,010</u>

Included in the deviations are awards amounting to R3,735,269 which was condoned by the accounting officer and therefore does not constitute irregular expenditure as defined in the MFMA.

43.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).

<u>Councillor/Staff Member</u>	<u>Entity</u>	
Mrs. T Gwinta	Mahiri Consulting Services (Husband of the Manager IT)	900,626
Mrs. V Cunningham	Drew's Kilchen (Husband of the Human resource assistant)	10,930
	World Focus 1343 cc T/A Ikinwezi Lamakhosikaszi	
Ms L. Fikeni	(Mother of the Radio operator)	31,727
Ms E. Marais	E & P Enterprises (Father of the Personal Assistant of the CFO)	71,709
	Victory Ticker (Son of the Director in the Municipal Managers Office)	1,361,407
Mr T Nqolo	Inyameko Trading 1005 (Daughter of the Administrative assistant)	294,191
Ms E. Tshembese	Lithalethu Enterprise (Wife of the VIP: Protection Services)	25,984
Mr C Dikile		<u>2,696,574</u>

44 **CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure
Community

Total

This expenditure will be financed from:

External Loans
Capital Replacement Reserve

	2010 R	2009 R
	9,096,517	4,500,000
Infrastructure	5,186,737	4,500,000
Community	3,909,780	-
Total	<u>9,096,517</u>	<u>4,500,000</u>
	-	4,500,000
External Loans	9,096,517	-
Capital Replacement Reserve	<u>9,096,517</u>	<u>4,500,000</u>

45 **FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) **Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

(b) **Price risk**

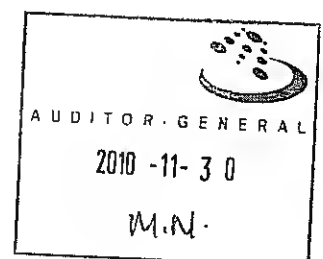
The municipality is not exposed to price risk.

(c) **Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	Assets	Liabilities
2010		
Amount subject to interest rate risk	15,498,690	90,008,672
0.5% (2009 - 0.5%) Increase in interest rates	77,493	(450,043)
0.5% (2009 - 0.5%) Decrease in interest rates	(77,493)	450,043
2009		
Amount subject to interest rate risk	61,190,124	66,972,823
0.5% (2009 - 0.5%) Increase in interest rates	305,951	(334,864)
0.5% (2009 - 0.5%) Decrease in interest rates	(305,951)	334,864

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors, are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavors to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 18 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
Electricity	9.73%	2,358,615	14.35%	3,431,162
Water	19.97%	4,640,099	17.20%	4,111,322
Housing Rentals	3.02%	733,031	1.91%	457,671
Refuse	17.05%	4,130,787	12.36%	2,955,522
Sewerage	27.99%	6,783,906	19.62%	4,690,414
Other Consumer Arrears	7.23%	1,752,870	8.41%	2,010,042
Rates	14.99%	3,633,410	26.13%	6,246,789
	100.00%	24,232,719	100.00%	23,902,922

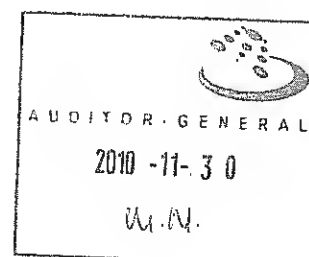
The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

	2010 R	2009 R
Long term receivables	455,826	725,161
Trade receivables and other receivables	26,830,888	17,873,079
Cash and Cash Equivalents	16,604,070	57,833,292
Unpaid conditional grants and subsidies	-	3,602,856
	43,090,784	80,034,388



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Long Term liabilities	14,715,621	55,742,297	51,252,256	50,985,374
Capital repayments	5,228,742	23,689,039	26,576,528	34,514,362
Interest	9,486,879	32,053,258	24,675,728	16,471,012
Trade and Other Payables	29,902,310	-	-	-
Unspent conditional government grants and receipts	22,535,017	-	-	-
	<u>67,152,948</u>	<u>55,742,297</u>	<u>51,252,256</u>	<u>50,985,374</u>
2009				
Long Term liabilities	10,865,251	41,728,989	39,552,390	40,825,311
Capital repayments	3,787,033	17,670,948	19,755,477	25,759,365
Interest	7,078,218	24,058,041	19,796,913	15,065,946
Trade and Other Payables	16,675,836	-	-	-
Unspent conditional government grants and receipts	14,860,818	-	-	-
	<u>42,401,905</u>	<u>41,728,989</u>	<u>39,552,390</u>	<u>40,825,311</u>

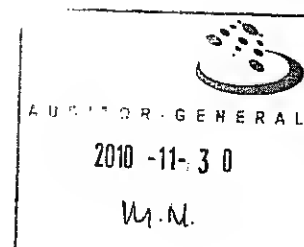
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FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

46.1	Financial Assets	Classification Loans and receivables	2010 R	2009 R
	Long-term Receivables			
	Officials Housing Loans	At amortised cost	-	103,113
	Car Loans	At amortised cost	6,095	90,859
	Consumer Debtors			
	Trade receivables from exchange transactions	At amortised cost	34,879,764	30,431,962
	Other receivables from non-exchange transactions	At amortised cost	16,183,843	11,344,039
	Current Portion of Long-term Receivables			
	Officials Housing Loans	At amortised cost	-	(22,347)
	Car Loans	At amortised cost	(6,095)	(81,887)
	Short-term Investment Deposits			
	Call Deposits	At amortised cost	5,108,728	21,051,550
	Bank Balances and Cash			
	Bank Balances	At amortised cost	11,484,922	21,051,550
	Cash Floats and Advances	At amortised cost	10,420	9,120
			<u>67,667,677</u>	<u>83,977,959</u>
	SUMMARY OF FINANCIAL ASSETS			
	At amortised cost		<u>67,667,677</u>	<u>83,977,959</u>



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
46.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Annuity Loans	85,069,057	62,522,054
	Capitalised Lease Liability	303,089	262,978
	Trade and Other Payables		
	Trade creditors	26,869,986	13,708,870
	Retentions	411,774	-
	Unspent Conditional Grants and Receipts		
	Other Spheres of Government	22,535,017	18,463,674
	Current Portion of Long-term Liabilities		
	Annuity Loans	4,316,034	3,737,820
	Capitalised Lease Liability	229,075	153,824
		139,734,032	98,049,220
	SUMMARY OF FINANCIAL LIABILITY		
	At amortised cost	139,734,032	98,849,220

47 EVENTS AFTER THE REPORTING DATE

The claim regarding the Fairway Avenue Home Owners association that was provided for under contingent liabilities was settled on 15 September and 12 October 2010. A payment of R 100 000 was made to the Fairway Avenue Home Owners Association.

48 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50 CONTINGENT LIABILITY

Council determined the following contingent liabilities at the end of the financial year 2009/2010:

50.1 TASK

Bitou Municipality was graded as a category 5 municipality based on incorrect information. The municipality subsequently appealed against the categorisation. A contingent liability of R 140 326.08 is recognised which is the difference between the salary scales of a category 4 and 5 municipality.

50.2 Fairway Avenue Homeowners

Fairway Avenue Homeowners – The Association has served the Municipality with a notice of motion for the cost to order (a) Improve the drainage from major catchment area to cater for the 1 in 50 year flood by installing an additional conduit or the creation of an open channel outlet and raising the channel embankment; and

(b) upgrade the pumps in pump station.

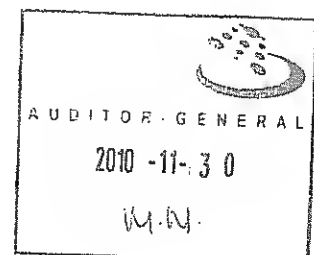
Most of the issues seem to have been resolved and our attorneys are positive that we will be able to resolve this matter amicably. The amount of the contingent liability is estimated to approximately R 100 000.00

50.3 Dataforce Trading 63 (PTY) LTD

Dataforce Trading are threatening to institute a counter claim due to the alleged condition of the Municipal Dump. Their attorneys did not believe that their allegations justified their failure to pay rates and that the matter should proceed to trial. They have requested a round table meeting to discuss settlement. The potential cash outflow could not be determined at this stage.

50.4 Vaughn Barry Arenold

The claim is for an order that Vaughn Barry Arenold and the Municipality entered into a no compensation agreement that within one month thereafter the municipality would approve the building plans. If the matter proceeds the cost of a High Court matter could become such that this matter is worthy of mentioning. The potential cash outflow could not be determined at this stage.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

51 CONTINGENT ASSET

Cape Joint Pension Fund Shortfall in Annual Earnings

The Cape joint Pension Fund rendered an account for a shortfall in the fund's returns to the municipality for the amount of R 1 410 165.25. The municipality recognised the amount as Employee Benefits (See Note 7) but the municipality, together with several other municipalities, objected to the account and awaits a decision by the Trustees of the fund. If successful, the surplus for the year will increase by the amount and Employee Benefits decrease.

52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

52.1 Related Party Transactions

	Rates - Levied 1 Jul 09 - 30 Jun 10	Service Charges - Levied 1 Jul 09 - 30 Jun 10	Other - Levied 1 Jul 09 - 30 Jun 10	Outstanding Balances 30 June 2010
Year ended 30 JUNE 2010				
Councillors	-	94,090	8,159	10,823
Mvimbi L.L	-	19,207	-	-
Luiters L	-	2,979	8,159	7,059
Xego O	-	1,629	-	-
Sishuba M	-	1,676	-	-
Tertblanche VC	-	21,574	-	3,764
Dreyer C.L	-	47,025	-	-
Municipal Manager and Section 57 Employees	10,436	47,878	-	-
Ngogo LMR	4,742	17,302	-	-
Mattheus CMB	5,694	22,417	-	-
Ngqumshe P	-	8,159	-	-
Year ended 30 JUNE 2009				
Councillors	430	20,653	8,259	12,023
Mvimbi L.L	-	12,235	-	-
Luiters L	-	3,312	8,259	8,259
Xego O	-	1,386	-	-
Sishuba M	430	1,860	-	-
Tertblanche VC	-	1,860	-	3,764
Municipal Manager and Section 57 Employees	4,106	29,613	-	-
Ngogo LMR	-	11,158	-	-
Mattheus CMB	4,106	15,291	-	-
Ngqumshe P	-	2,164	-	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 16 to the Annual Financial Statements.

52.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements.

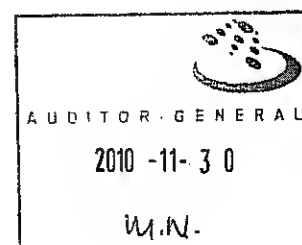
52.4 Other related party transactions

No other related party transactions

53 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

53.1 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

53.2 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale

Inventory held at departmental stores including:

- Chemicals

- Road signs etc.

Purified Water 51004 kl

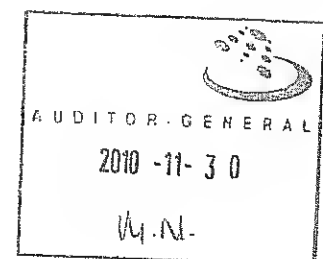
Raw Water 134613.05 kl

The municipality is currently in the process of measuring all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

53.3 GRAP 16 - Investment Properties


The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of measuring all investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.



APPENDIX A - Unaudited
BITOU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Original Loan Amount	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Correction	Balance at 30 JUNE 2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
LONG-TERM LOANS										
South Cape District Council	118,000	16.75%	-	12/31/2008	-		-	-	-	-
Sanlam	487,000	9.75 - 11.50	Various	12/31/2009	6,609		6,609	-	6,609	-
Sanlam	1,522,000	11.75 - 12.20	-	6/30/2008	-		-	-	-	-
Sanlam	7,400,000	10.95%	11200	12/31/2019	3,884,357		3,884,357	-	370,000	3,514,357
Development Bank	7,480,000	11.24%	13655	12/31/2020	4,522,852		4,522,852	-	393,684	4,129,168
Development Bank	15,656,000	16.00%	100225	12/31/2022	11,124,000		11,124,000	-	824,000	10,300,000
Development Bank	15,000,000	9.14%	102541	6/30/2017	12,989,556		12,989,556	-	1,161,770	11,807,787
Provincial Administration	318,948	11.25%	-	6/30/2008	-		-	-	-	-
Development Bank		10.64%	-	6/30/2029	26,952,500		26,952,500	-	399,686	26,552,814
Development Bank		10.72%	-	6/30/2024	2,800,000		2,800,000	-	78,044	2,721,956
Development Bank		10.42%	-	6/30/2014	4,000,000		4,000,000	-	640,990	3,359,011
Standard Bank	2,900,000	10.56%		6/30/2020	-		-	2,900,000	-	2,900,000
Standard Bank	20,200,000	11.45%		6/30/2025	-		-	20,200,000	-	20,200,000
Standard Bank	500,000	11.45%		6/30/2020	-		-	500,000	-	500,000
First National Bank	3,400,000	10.45%		6/30/2015	-		-	3,400,000	-	3,400,000
Total Long-term Loans					66,259,874	-	66,259,874	27,000,000	3,874,783	89,385,092
HIRE PURCHASE										
Westbank	461,825	PRIME LESS 1.75%		3/30/2011	197,754	-	197,754	-	106,337	91,417
Total Hire Purchase					197,754	-	197,754	-	106,337	91,417
LEASE LIABILITY										
Finance Leases					331,338	183,857	515,195	193,340	176,371	532,164
Total Lease Liabilities					331,338	183,857	515,195	193,340	176,371	532,164
TOTAL EXTERNAL LOANS					66,786,966	183,857	66,972,824	27,193,340	4,157,491	90,008,672


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APPENDIX B
BITOU LOCAL MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY AS AT 30 JUNE 2010
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation			Accumulated Depreciation		Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	
Executive & Council	2,807,103	432,608	-	3,239,711	952,906	1,872,417
Budget & Treasury	44,811,405	17,324,742	6,174,534	68,310,681	23,682,667	43,416,342
Planning & Development	191,007	169,446	-	360,453	57,513	249,323
Community & Social Services	1,618,005	1,395,114	-	3,013,119	284,584	2,556,162
Housing	3,247,243	39,704	-	3,286,947	203,122	2,964,151
Public Safety	3,179,651	245,273	-	3,424,924	2,441,110	833,712
Sport & Recreation	15,012,552	2,694,758	-	17,707,310	7,605,210	9,247,550
Waste Management	5,059,459	483	-	5,069,942	4,290,583	440,636
Waste Water Management	63,118,191	7,168,498	13,194,987	83,481,676	22,586,130	59,146,032
Road Transport	83,444,275	27,236,259	5,945,959	116,626,493	34,332,687	80,249,873
Water	101,886,051	10,175,496	3,369,131	115,430,678	36,682,805	78,530,915
Electricity	40,259,166	20,081,580	1,141,957	61,482,703	9,701,183	50,735,048
Other	1,886,533	239,681	-	2,126,214	559,264	1,147,883
	366,530,641	87,203,642	29,826,568	483,560,851	143,379,763	329,390,043
					10,791,047	154,170,809

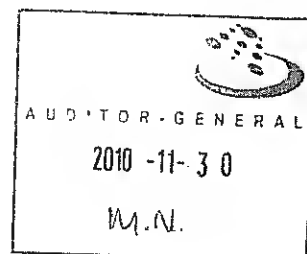
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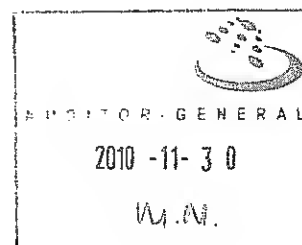
APPENDIX C - Unaudited
BITOU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
33,103,334	(40,300,702)	(7,197,368)	Executive & Council	24,137,673	(45,069,238)	(20,931,565)
52,893,158	(7,527,692)	45,365,466	Budget & Treasury	61,123,927	(25,674,275)	35,449,653
-	(4,115,533)	(4,115,533)	Municipal Manager	-	(7,175,334)	(7,175,334)
1,751,522	(8,446,125)	(6,694,603)	Planning & Development	3,148,153	(10,573,892)	(7,425,739)
-	(36,188)	(36,188)	Health	-	-	-
245,047	(4,245,914)	(4,000,867)	Community & Social Services	241,760	(5,342,121)	(5,100,361)
32,259,774	(34,588,322)	(2,328,548)	Housing	44,852,162	(31,229,451)	13,622,711
6,701,252	(10,144,669)	(3,443,417)	Public Safety	6,159,052	(12,479,963)	(6,320,910)
503,662	(12,652,901)	(12,149,239)	Sport & Recreation	823,771	(11,760,820)	(10,937,049)
10,093,418	(10,872,605)	(779,187)	Waste Management	10,955,391	(11,609,642)	(654,251)
21,040,102	(11,167,096)	9,873,006	Waste Water Management	22,936,289	(10,027,933)	12,908,356
-	(13,407,943)	(13,407,943)	Road Transport	-	(17,748,196)	(17,748,196)
29,633,536	(17,846,162)	11,787,374	Water	53,329,000	(16,397,417)	36,931,583
51,398,434	(46,856,823)	4,541,611	Electricity	66,989,486	(53,465,441)	13,524,045
1,888,268	(6,631,416)	(4,743,148)	Other	1,013,015	(7,452,028)	(6,439,013)
241,511,507	(228,840,091)	12,671,417	Sub Total	295,709,679	(266,005,750)	29,703,929
(16,948,108)	(16,948,108)	-	Less Inter-Departmental Charges	-	-	-
224,563,399	(245,788,199)	12,671,417	Total	295,709,679	(266,005,750)	29,703,929



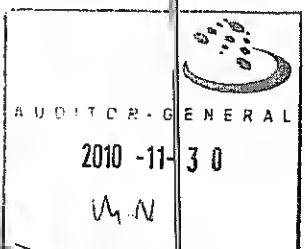
APPENDIX D (1) - Unaudited
BITOU LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	57,569,307	55,000,000	2,569,307	4.67%	
Government Grants and Subsidies - Capital	24,387,084	47,076,420	(22,689,336)	-48.20%	
Government Grants and Subsidies - Operating	62,328,614	70,190,096	(7,861,482)	-11.20%	
Public Contributions and Donations	11,654,068	1,882,352	9,771,716	519.12%	More augmentation fees than budgeted
Fines	5,411,813	5,005,665	406,148	8.11%	
Third Party Payments	45,402	-	45,402	0.00%	
Actuarial Gains	3,998,188	-	3,998,188	0.00%	Did not expect a gain on future employee benefit
Service Charges	115,549,561	121,508,457	(5,958,896)	-4.90%	
Rental of Facilities and Equipment	1,415,204	963,816	451,388	46.83%	
Interest Earned - External Investments	3,916,959	5,500,000	(1,583,041)	-28.78%	Decrease in interest rates and decrease cash available for investment purposes
Interest Earned - Outstanding Debtors	2,332,064	2,000,000	332,064	16.60%	Growth in outstanding debtors due to economic climate
Licences and Permits	27,376	17,000	10,376	61.04%	Increased number of vehicles registered
Other Revenue	6,753,504	9,472,465	(2,718,961)	-28.70%	Donation with regards to Land received - not budgeted for, increase in building plan fees
Gains on Disposal of PPE	320,534	1,500,000	(1,179,466)	-78.63%	Revenue from sale of of immovable property did not realised
Total Revenue	295,709,679	320,116,271	(24,406,592)	5	
EXPENDITURE					
Executive & Council	(52,244,571)	(45,913,470)	(6,331,101)	13.79%	Increased expenditure i.r.o Employee Benefits (TASK implementation, subsidies, and skills development levy,
Budget & Treasury	(25,674,275)	(24,922,394)	(751,881)	3.02%	
Planning & Development	(10,573,892)	(10,605,055)	31,163	-0.29%	
Community & Social Services	(5,342,121)	(5,583,042)	240,921	-4.32%	
Housing	(31,229,451)	(31,440,337)	210,886	-0.67%	Depreciation allocation
Public Safety	(12,479,963)	(12,010,845)	(469,118)	3.91%	
Sport & Recreation	(11,760,820)	(10,912,320)	(848,500)	7.78%	
Waste Management	(11,609,642)	(11,747,005)	137,363	-1.17%	
Waste Water Management	(10,027,933)	(10,570,500)	542,567	-5.13%	Decreased in depreciation due to redetermination of useful life of assets
Road Transport	(17,748,196)	(18,458,547)	710,351	-3.85%	
Water	(16,397,417)	(16,608,136)	210,719	-1.27%	Decreased in depreciation due to redetermination of useful life of assets
Electricity	(53,465,441)	(53,927,481)	462,040	-0.86%	
Other	(7,452,028)	(6,930,024)	(522,004)	7.53%	
Total Expenditure	(266,005,750)	(259,629,156)	(6,376,594)	-	
SURPLUS / (DEFICIT) FOR THE YEAR	29,703,929	60,487,115	(30,783,186)	5	




APPENDIX D (2) - Unaudited
BITOU LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
AQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual R	2010 Under Construction R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive & Council	297,675	-	297,675	744,000	(446,325)	-59.99%	Underexpenditure on Office furniture and Refurbishment of Halls
Budget & Treasury	3,929,277	6,174,534	10,103,810	15,124,740	(5,020,930)	-33.20%	Cipal project and MPC project still work in progress
Planning & Development	103,101	1,468,192	1,571,293	5,133,000	(3,561,707)	-69.39%	NDPG Project not yet started
Community & Social Services	4,142,585	-	4,142,585	8,036,500	(3,893,915)	-48.45%	Greenvalley Sport Field still under construction
Housing	9,608,330	17,822,222	27,430,552	31,150,000	(3,719,448)	-11.94%	Kurland services still under construction
Public Safety	1,440,542	-	1,440,542	1,462,830	(22,288)	-1.52%	
Sport & Recreation	1,278,057	-	1,278,057	1,028,500	249,557	24.26%	Slipway and Parking Central beach budgeted as Operating whilst it is Capital expenditure
Waste Management	78,932	-	78,932	101,167	(22,235)	-21.98%	Savings on feasibility study for Waste Transfer station
Waste Water Management	4,191,019	-	4,191,019	3,553,347	637,672	17.95%	Portion of the budget was moved to Water Services to cover shortfall on Desalination plant
Road Transport	20,075,260	3,219,663	20,075,260	20,282,127	(206,867)	-1.02%	
Water	12,183,400	-	15,403,063	15,502,653	(99,590)	-0.64%	
Electricity	20,395,909	1,141,957	21,537,866	27,348,000	(5,810,134)	-21.25%	Demand Management Projects underspent. Portion of payment to Eskom treated as deposit instead of Capital
Other	224,471	-	224,471	265,000	(40,529)	-15.29%	Savings on purchases of Office Equipment
Total	77,948,558	29,826,568	107,775,126	129,731,864	(21,956,738)	-16.92%	



APPENDIX E - Unaudited
BITOU LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2009	Correction of error	Restated balance 1-Jul-09	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
	R			R	R	R	R
Equitable Share	8,680,000	-	8,680,000	14,308,727	14,308,727	9,630,647	9,094,153
MIG Grant	27,708,420	-	9,559,578	10,045,000	-	9,559,578	-
Flood Monies	-	(18,148,842)	-	5,688,000	-	3,728,468	1,959,534
National Electrification Programme	-	-	-	5,000,000	-	1,468,193	3,531,807
Neighbourhood Development Partnership Grant	-	-	-	2,750,000	2,677,000	73,000	-
Financial Management Grant	-	-	-	400,000	400,000	-	-
Municipal Systems Improvement Grant	-	-	-	324,600	-	-	324,600
Provincial Management Support Grant	-	-	-	72,000	72,000	-	-
Community Development Workers	-	-	-	184,000	184,000	-	-
Libraries	-	-	-	-	-	-	-
Emergency Housing	2,923,603	(2,923,603)	-	-	-	-	-
Kwano Housing Phase 4	4,443,726	(4,443,726)	-	-	-	-	-
MMC Kurland	16,818	-	16,818	-	-	-	16,818
Spatial Planning	84,200	-	84,200	-	-	-	84,200
Revitalise Urban Areas	50,000	-	50,000	-	-	-	50,000
Socio Economic Upgrade Informal Settlements	50,000	-	50,000	-	-	-	50,000
Social Responsibility	162,352	(162,352)	-	-	-	-	-
Traffic Disaster	782	-	782	-	-	-	782
Umsomvu Youth Fund	22,296	-	22,296	-	22,296.00	-	-
Provincial Housing Grant	-	(3,602,856)	(3,602,856)	-	21,611,424	22,980,167	7,423,123
Kurland Project Link Subsidy Project	(949,400)	949,400	-	-	-	-	-
Qolweni/Bossiesgif Housing	(9,383,889)	9,383,889	-	-	-	-	-
Kranshoek Project Link Subsidy Housing	(636,896)	636,896	-	-	-	-	-
Total	33,172,012	(18,311,194)	14,860,818	94,389,897	39,275,447.19	47,440,250.92	22,535,017


 DEPARTMENT OF PUBLIC WORKS AND ADMINISTRATION
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